



Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2017

These financial statements were prepared by:
Auditor General of South Africa

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no 117 of 1998). Municipal demarcation code NC076
Nature of business and principal activities	Provision of Municipal services in terms of the Municipal Finance Management Act No.56 Of 2003 and Municipal Systems Act No.32 of 2000.
Mayoral committee Executive Mayor Councillors	Mpamba, B Swartling, S Tshangela, B Tallies, J Ngxabazi, R Brits, H Naude, P
Grading of local authority	The Thembelihle Municipality is a grade 2 Local Authority in terms of item IV of Government Notice R999 of 2 October 2001, published in terms of the Remuneration of Public Office Bearers Act, 1998.
Accounting Officer	Mogale, M
Chief Finance Officer (CFO)	Manzi, X (Appointed 1 July 2016 till 30 September 2016) Jaxa, N (Appointed 1 Oct 2016 till 30 June 2017)
Registered office	Municipal Offices Church street Hopetown 8750
Business address	Municipal Offices Church street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank Limited (Primary) ABSA Limited
Auditors	Auditor General of South Africa
Attorneys	Herman van Heerden Inc

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index	Page
Accounting Officer's Responsibilities and Approval	4
Report of the Auditor General	5 - 4
Accounting Officer's Report	5 - 10
Statement of Financial Position	11
Statement of Financial Performance	12 - 13
Statement of Changes in Net Assets	14
Cash Flow Statement	15
Statement of Comparison of Budget and Actual Amounts	16 - 24
Appropriation Statement	25 - 26
Accounting Policies	27 - 46
Notes to the Financial Statements	46 - 100
Appendixes:	
Appendix A: Schedule of External loans	101
Appendix B: Analysis of Property, Plant and Equipment	102
Appendix C: Segmental analysis of Property, Plant and Equipment	108
Appendix D: Segmental Statement of Financial Performance	109
Appendix E(1): Actual versus Budget (Revenue and Expenditure)	110
Appendix E(2): Actual versus Budget (Acquisition of Property, Plant and Equipment)	112
Appendix F: Disclosure of Grants and Subsidies in terms of the Municipal Finance Management Act	113
Appendix G(2): Budgeted Financial Performance (revenue and expenditure by municipal vote)	114
Appendix G(4): Budgeted Capital Expenditure by vote, standard classification and funding	115

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Index

Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Companies Act, 71 of 2008, to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 100, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2017 and were signed on its behalf by:

Mr.M Mogale
Accounting Officer

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2017.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no.56 Of 2003 and municipal systems act no.32 of 2000. and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 19 696 934 (2016: surplus R 17 149 760).

Proportion of income and loss attributable to various classes of business:

2017

Classes of business	Proportion of contribution to income before tax	Amount
Property Rates	7 %	3 881 993
Service Charges	38 %	20 713 960
Grants and Subsidies	50 %	30 774 894
Other	7 %	4 357 874

2016

Classes of business	Proportion of contribution to income before tax	Amount
Property Rates	3 %	3 137 037
Service Charges	23 %	19 939 730
Grants and Subsidies	63 %	42 822 909
Other	11 %	8 015 964

2. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of R 156 074 992 and that the municipality's total liabilities exceed its assets by R 156 074 992.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has the power to levy rates and taxes and it will continue to receive funding from government as evident from the equitable share allocation in terms of the Division of Revenue Act of 2016.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality
Mr.M Mogale	South African

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by him by the Remunerations of Public Office Bearers Act No.20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's primary banker is Standard Bank Limited.

The municipality also have accounts with ABSA Limited.

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

10. Non compliance with applicable legislation

The following non-compliances to the Municipal Finance Management Act occurred:

- 1) Paragraph 165 & 166 - No internal audit unit or audit committee exists within the Municipality. The Municipality's internal audit functions are performed by Pixley Ka Seme. The audit committee has been established in the 2016/17 financial year also part of shared service performed by Pixley Ka Seme.
- 2) Section 32 -Investigations is being performed with regards to unauthorised, fruitless and wasteful or irregular expenditure during the 2015/2016 year relating to the amounts disclosed in the 2016/2017 financial year and neither have the report as required been submitted.
- 3) Paragraph 62 -Irregular, fruitless and wasteful and unauthorised expenditure occurred for both the 2015-2016 and 2016-2017 financial year.
- 4) Section 63 -The municipality does not have an approved Road Maintenance Plan in place.
- 5) Section 62 - A lack of proper record keeping and document control was experienced at the Municipality. Systems are being implemented to improve this situation at the Municipality.
- 6) The monthly budget statements did not include and explain:
 - (i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote;
 - (ii) any material variances from the service delivery and budget implementation plan; and
 - (iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.
- 7) Section 62 -The municipality did not have code of ethical conduct signed by the committee members. No reports are submitted within 10 days after the end of each quarter, on the implementation of the SCM policy to the mayor of the municipality. The municipality do have a gift declaration register and policy in place. There are no properly implemented controls for vendor acceptance to prevent and detect fictitious providers.
- 8) The municipality does not have a disciplinary board to Investigate allegations of financial misconduct; and monitor the institution of disciplinary proceedings against an alleged transgressor.
- 9) Section 83 - No assessment evaluation for competencies were performed for the following key positions: CFO, Municipal Manager and Corporate services manager and Technical services manager.
- 10) Paragraph 14 - Background, qualifications and reference checks were not performed on all officials working at the Municipality
- 11) Section 62 - No controls were in place to ensure discrepancies in the overtime paid out are detected and corrected.

The following non-compliances to the Municipal structures act occurred:

- 1) Section 79 - IT, Finance & Budget and HR committees were not established

The following non-compliances to the Basic Conditions of Employment Act occurred:

- 1) There is no control in place to ensure that overtime is in accordance with Section 62 of MFMA and Basic Conditions of Employment Act section 10 (1) (b) chapter 2.
- 2) Not all the municipal employees took the minimum of 16 days leave during the financial period.
- 3) There insufficient controls over leave management within the municipality. This has however been addressed and proper controls have been implemented over the approval of leave. A leave system has also been implemented to support the controls implemented.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

4) Acting allowances were paid for periods exceeding 6 months.

The following non-compliances to the Municipal Systems Act occurred:

1) Paragraph 5A - Declarations of interest for all section 56 members and Municipal Manager was not submitted within 60 days of appointment.

2) Section 25 - Planned objectives included in the integrated development plan were not consistent with the service delivery and budget implementation plan. Planned objectives specified in the service delivery and budget implementation plan for the year under review were not aligned with the integrated development plan submitted for audit purposes. Per the SDBIP it can be concluded that there is 5 overall objectives. Per the IDP it was confirmed that there is 10 overall objectives.

3) Section 25 - Budgets were not allocated to each individual objective in the SDBIP.

4) The indicators in IDP for the 2016/2017 financial period were inspected and it was confirmed that there is a total budget and there is a projection for the next three years. The budget also states the financial resources available for capital expenditure. It was not evident from the information provided if the projection includes a financial strategy that defines sound financial management and expenditure control as well as means of increasing revenues and external funding for the municipality and its development priorities and objectives. Consequently the approved budget cannot be tied up to the 10 strategic objectives. The objectives as per the SDBIP can also not be linked to a budget per objective.

5) The valuation roll was inspected and the following was noted: The valuation roll was not updated annually and the valuation roll is not compiled in accordance with the Municipality Property Rates Act, in that the valuation roll does not include two sections where part A consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the Municipality prepared in terms of Section 78 and Part B specify which properties on the valuation roll or any supplementary valuation rolls are subject to exceptions, rebates, phasing in of rates are specified. A new valuation roll has been compiled that was implemented in July 2015.

The following non-compliance's to the Municipal Property Rates Act occurred:

1) The valuation roll was inspected and the following was noted: The valuation roll was not updated annually and the valuation roll is not compiled in accordance with the Municipality Property Rates Act, in that the valuation roll does not include two sections where part A consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the Municipality prepared in terms of Section 78 and Part B specify which properties on the valuation roll or any supplementary valuation rolls are subject to exceptions, rebates, phasing in of rates are specified. A new valuation roll has been compiled that was implemented in July 2015.

The following non-compliance's to the budget and reporting regulations occurred:

1) The adjustments budget was not made public within 10 days as confirmed upon inspection of the website printout as it was approved on the 28 February 2016.

2) The monthly budget statements did not include and explanation for:

- i) any material variances from the municipality's projected revenue by source, and from the municipality's expenditure projections per vote
- ii) any material variances from the service delivery and budget implementation plan; and
- iii) any remedial or corrective steps taken or to be taken to ensure that projected revenue and expenditure remain within the municipality's approved budget.

The following non-compliance's to the Division of Revenue Act occurred:

1) The Municipality did not submit a quarterly non-financial performance report within 30 days after the end of each quarter to the transferring national officer and the relevant provincial treasury.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

2) No section 12(5) reports have been completed for MIG, and FMG.

The following non-compliance's to the VAT act occurred:

1) The VAT 201 for 2016/17 financial year, months of July, August, November, April and May was not submitted and paid within 25 days of the following month of the VAT month period.

The following non-compliance's to Regulations on the Predetermined Objectives occurred:

1) The plan provided was a financial recovery plan which is similar to a financial strategy but it is not included in the integrated development plan. Thus it can be concluded that the integrated development plan did not include a financial strategy.

2) No information has been obtained with regards to ward committees.

3) The IDP had no organogram for the implementation of the IDP which addresses the municipality's internal transformation.

4) There is no evidence of a development framework which includes the provision of basic guidelines for the land use management system.

5) There was no evidence of an approved disaster management plan being included in the IDP

6) There was no evidence to support that the municipality drafted its IDP taking into account the integrated development processes of and proposals submitted to it by the district municipality.

7) The municipal manager did not submit a copy of the IDP as adopted by council of the municipality, and any subsequent amendment to the plan, to the MEC for local government in the province within 10 working days of the adoption or amendment of the plan.

8) The municipality prepared a SDBIP which indicated the projections of revenue to be collected and operational and capital expenditure for each quarter, and not each month.

9) The SDBIP does not contain clear, measurable service delivery targets.

10) There is no evidence of the SDBIP being revised and the revision approved after the approval of the adjustments budget.

11) There was no evidence to support that the annual budget was accompanied by measurable performance objectives for revenue from each source and for each vote in the budget.

12) There was no evidence supporting the annual review of the IDP and any proposed amendments.

13) There was no evidence supporting that particulars of service delivery agreements accompanied the annual budget when it was tabled.

14) The SDBIP was sent to Provincial Treasury, however the date was after 10 working days of approval as the SDBIP was approved on the 31 May 2016.

15) No evidence was found to show that roles and responsibilities for ensuring data integrity and quality assurance were clear, documented and communicated to all relevant staff.

16) No information was provided with regards to the risk assessment process.

17) The municipality does not have any data assurance procedures in place such as data collection, processing and monitoring procedures.

18) The municipal manager did not submit to the National Treasury and relevant provincial treasury, the mid-year performance assessment by 25 January of each year.

19) There was no evidence to support the fact that roles and responsibilities for collecting, coordinating and compiling performance information were clear, documented and communicated to all relevant staff.

20) The municipality does not have specific and appropriate information systems to enable the entity to monitor the progress made towards achieving the goals, targets and core objectives as indicated in the strategic plan.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Officer's Report

21) The municipality does not have any valid mechanisms, systems and processes for the monitoring, measurement and review of performance.

22) There was no evidence that the annual performance agreements for the municipal manager and all senior managers are linked to measurable performance objectives approved with the budget and to the SDBIP.

23) No performance appraisals completed for any official working at the municipality.

24) The Annual Performance report for the 2016/2017 year has not been prepared and submitted for audit.

With regards to the provision of water and sanitation the following occurred:

1) Water projects in progress in 2016/2017 does not address the cause of the water backlog. We are of the view that a channel should be constructed between Hopetown and Strydenburg, but the Department of Water and Sanitation does not support this view and will thus not make funds available for this project.

2) Thembelihle Bulk Water Supply : Strydenburg Ground Water Development water infrastructure project have exceeded their planned completion date as the planned due date was 30 June 2015 and was extended to 15 December 2015.

3) The municipality does not have an approved policy in place that addresses routine maintenance of water infrastructure.

4) Maintenance of water infrastructure was not budgeted for by the municipality.

5) The municipality has not reported on backlogs in the provisioning of functional water services to households.

6) The municipality does not have sufficient water infrastructure to meet the needs of the municipality as there has been backlogs in the provisioning of functional water services due to lack of funding, high percentage of indigents.

7) Appropriate steps to prevent overspending of the budget allocation for routine water infrastructure maintenance was not taken.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

Figures in Rand	Note(s)	2017	2016 Restated*
Assets			
Current Assets			
Inventories	3	65 766	48 895
Receivables from exchange transactions	4&7	2 425 616	2 225 692
Receivables from non-exchange transactions	5&7	1 588 854	764 578
VAT receivable	18	4 599 709	4 668 324
Employee benefit asset	20	-	-
Prepayments	67	17 460	17 460
Other Receivables	8	763 117	763 117
Cash and cash equivalents	9	600 563	3 168 992
		10 061 085	11 657 058
Non-Current Assets			
Investment property	10	7 896 064	7 856 333
Property, plant and equipment & Intangible	11	225 856 477	230 565 934
Intangible assets	12	178 312	268 968
Non-Current Receivables from Exchange Transactions	13	460 734	456 641
		234 391 587	239 147 876
Non-Current Assets		234 391 587	239 147 876
Current Assets		10 061 085	11 657 058
Total Assets		244 452 672	250 804 934
Liabilities			
Current Liabilities			
Loans payable	14	894 490	893 834
Finance lease obligation	15	261 013	19 149
Payables from exchange transactions	16	66 070 574	50 249 750
Consumer deposits	19	563 765	522 760
Employee benefit obligation	20	254 390	217 968
Unspent conditional grants and receipts	21	1 769 032	1 806 661
Provisions	22	7 803 417	7 844 900
Third Party Collections	23	1 143 766	1 143 766
Long Service Awards	24	209 197	245 541
		78 969 644	62 944 329
Non-Current Liabilities			
Loans payable	14	3 178 838	3 817 470
Finance lease obligation	15	253 433	214
Employee benefit obligation	20	4 978 094	4 582 406
Long Service Awards	24	997 671	888 950
		9 408 036	9 289 040
Non-Current Liabilities		9 408 036	9 289 040
Current Liabilities		78 969 644	62 944 329
Total Liabilities		88 377 680	72 233 369
Assets		244 452 672	250 804 934
Liabilities		(88 377 680)	(72 233 369)
Net Assets		156 074 992	178 571 565
Accumulated surplus/ deficit		156 074 992	178 831 288

* See Note 55

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	26	20 729 930	19 939 730
Rental of facilities and equipment	27	1 044 843	834 606
Interest received - consumers	28	559 657	179 674
Donations received		2 310 590	2 426 680
Licences and permits	29	144 874	57 446
Administration and management fees received		-	1
Commissions received		64 013	122 486
Bad Debt impairment movement		-	14 693 969
Other income	32	441 134	240 099
Connection fees	33	117 486	84 055
Interest received - investments	28	505 433	368 613
Total revenue from exchange transactions		25 917 960	38 947 359
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	34	3 881 994	3 137 037
Licences or Permits (Non-exchange)	29	315 790	225 384
Informal Settlement rates		153 674	198 362
Transfer revenue			
Government grants & subsidies	35	34 601 459	42 822 909
Fines, Penalties and Forfeits	36	1 006 900	620 345
Total revenue from non-exchange transactions		39 959 817	47 004 037
		25 917 960	38 947 359
		39 959 817	47 004 037
Total revenue	25	65 877 777	85 951 396
Expenditure			
Employee related costs	37	(26 241 454)	(23 246 555)
Remuneration of councillors	38	(2 258 727)	(2 524 362)
Administration	39	(56 109)	(26 093)
Depreciation and amortisation	40	(10 393 463)	(8 142 078)
Finance costs	41	(8 342 303)	(5 544 196)
Lease rentals on operating lease		(405 912)	(67 648)
Bad Debt impairment movement	6	(5 321 007)	(119 889)
Repairs and maintenance	43	(1 099 376)	(532 374)
Bulk purchases	44	(12 838 864)	(11 835 337)
Contracted services	45	(40 500)	(82 847)
General Expenses	46	(18 225 259)	(16 407 091)
Total expenditure		(85 222 974)	(68 528 470)
		-	-
Total revenue		65 877 777	85 951 396
Total expenditure		(85 222 974)	(68 528 470)
Operating (deficit) surplus		(19 345 197)	17 422 926
Gain/ (loss) on disposal of assets and liabilities		(662 497)	(235 163)
Fair value adjustments	10&47	39 731	308 533
Actuarial gains/losses	20	271 029	(346 536)
		(351 737)	(273 166)

* See Note 55

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Financial Performance

Figures in Rand	Note(s)	2017	2016 Restated*
Operating surplus/deficit		(351 737)	(273 166)
(Deficit) surplus before taxation		(19 696 934)	17 149 760
Taxation		-	-
(Deficit) surplus for the year		(19 696 934)	17 149 760

* See Note 55

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus/ deficit	Total net assets
Adjustments		
Prior year adjustments	(2 592 902)	(2 592 902)
Balance at 01 July 2015	173 751 072	173 751 072
Changes in net assets		
Surplus for the year	17 149 760	17 149 760
Total changes	17 149 760	17 149 760
Opening balance as previously reported	193 237 628	193 237 628
Adjustments		
Prior year adjustments	(14 406 340)	(14 406 340)
Restated* Balance at 01 July 2016 as restated*	178 831 288	178 831 288
Changes in net assets		
Adjustments	(3 059 362)	(3 059 362)
Net income (losses) recognised directly in net assets	(3 059 362)	(3 059 362)
Surplus for the year	(19 696 934)	(19 696 934)
Total recognised income and expenses for the year	(22 756 296)	(22 756 296)
Total changes	(22 756 296)	(22 756 296)
Balance at 30 June 2017	156 074 992	156 074 992

* See Note 55

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Cash Flow Statement

Figures in Rand	Note(s)	2017	2016 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		22 970 628	24 207 765
Grants		35 006 177	44 100 628
Interest income		505 433	179 674
		<u>58 482 238</u>	<u>68 488 067</u>
Payments			
Employee costs		(28 053 413)	(25 025 076)
Suppliers		(14 566 610)	(16 718 499)
Finance costs		(8 287 820)	(5 544 196)
Other payments		(157 256)	-
		<u>(51 065 099)</u>	<u>(47 287 771)</u>
Total receipts		58 482 238	68 488 067
Total payments		(51 065 099)	(47 287 771)
Net cash flows from operating activities	48	<u>7 417 139</u>	<u>21 200 296</u>
Cash flows from investing activities			
Purchase of property, plant and equipment & intangible	11	(6 637 041)	(17 360 462)
Proceeds from sale of property, plant and equipment & intangible	11	403 637	3 069
Purchase of other intangible assets	12	(23 128)	(63 840)
Purchase of other asset		(4 093)	-
		<u>(6 260 625)</u>	<u>(17 421 233)</u>
Net cash flows from investing activities		<u>(6 260 625)</u>	<u>(17 421 233)</u>
Cash flows from financing activities			
Repayment of loans payable		(637 977)	-
Non-cash flow effect of Prior year errors		(4 237 920)	-
Movement in long service awards		72 377	-
Finance payments		440 600	(674 496)
Net Movement in long term receivables		-	(566 113)
		<u>(3 724 943)</u>	<u>(1 240 609)</u>
Net cash flows from financing activities		<u>(3 724 943)</u>	<u>(1 240 609)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(2 568 429)</u>	<u>2 538 454</u>
Cash and cash equivalents at the beginning of the year		3 168 992	630 538
Cash and cash equivalents at the end of the year	9	<u>600 563</u>	<u>3 168 992</u>

* See Note 55

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	3 578 412	3 944 139	7 522 551	3 881 994	(3 640 557)	When the Adjusted Budget was compiled most of the consumers had already paid there accounts
Service charges	19 163 914	(411 545)	18 752 369	20 729 930	1 977 561	Load shedding in the 2016/17 year did not have an effect on the Electricity billed for the year however it was considered at the time of the budget preparation.
Investment revenue	333 285	237 285	570 570	2 109 933	1 539 363	The interest received on the short term investment was more than considered while budget was prepared.
Transfers recognised - operational	24 031 900	-	24 031 900	23 498 418	(533 482)	
Other own revenue	10 931 329	(5 578 766)	5 352 563	4 870 299	(482 264)	The difficult economic times experienced in the 2016/17 financial year had a negative effect on the other revenue generated due to spending of consumers decreasing.
Total Revenue (excluding capital transfers and contributions)	58 038 840	(1 808 887)	56 229 953	55 090 574	(1 139 379)	

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Expenditure by type						
Employee costs	(25 124 699)	(2 267 317)	(27 392 016)	(25 944 280)	1 447 736	Most of the Key Management Posts are vacant.
Remuneration of councillors	(3 004 093)	322 102	(2 681 991)	(2 258 727)	423 264	The upper limits for Councillors was more than Budgeted for also the council members changed after the local elections.
Debt impairment	(4 011 658)	(231 159)	(4 242 817)	(5 321 007)	(1 078 190)	Debt impairment is estimated during the budget preparation and consumers repayment ability is difficult to forecast.
Depreciation & asset impairment	(7 781 705)	(360 373)	(8 142 078)	(10 393 462)	(2 251 384)	Budget based on prior period audited depreciation and was adjusted with the current year's asset register.
Finance charges	(680 438)	(178 675)	(859 113)	(8 342 302)	(7 483 189)	Due to payments not made within 30 days Interest has increased, Eskom account is also responsible for a large contribution to the interest.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Materials and bulk purchases	(13 968 844)	527 458	(13 441 386)	(12 879 364)	562 022	Due to Cash flows problems, smaller payments could be made to Eskom and the repayments also decreased amounts spent on repairs and maintenance.
Transfers and grants	-	117 465	117 465	-	(117 465)	The amount budgeted for never realised.
Other expenditure	(9 028 645)	(2 150 197)	(11 178 842)	(17 476 064)	(6 297 222)	Increase in debtors collection was not expected. Projects payments were made in the second six months towards the end of the financial year, which could not be taken into account at time of the adjustment budget Budget was based on cashflow payments towards expenditure, however actual's include creditors transactions.
Total expenditure	(63 600 082)	(4 220 696)	(67 820 778)	(82 615 206)	(14 794 428)	
Revenue	58 038 840	(1 808 887)	56 229 953	55 090 574	(1 139 379)	
Expenditure	(63 600 082)	(4 220 696)	(67 820 778)	(82 615 206)	(14 794 428)	
Other	-	-	-	-	-	
Surplus	(5 561 242)	(6 029 583)	(11 590 825)	(27 524 632)	(15 933 807)	
Transfers recognised - capital	14 283 100	(875 000)	13 408 100	8 750 819	(4 657 281)	

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Contributions recognised - capital & contributed assets	-	-	-	149 106	149 106	
Surplus after capital transfers & contributions	8 721 858	(6 904 583)	1 817 275	(18 624 707)	(20 441 982)	
Surplus for the year	8 721 858	(6 904 583)	1 817 275	(18 624 707)	(20 441 982)	

Statement of Financial Position

Assets

Current Assets

Cash	12 424 254	(3 903 865)	8 520 389	692 563	(7 827 826)	Cash flow problems creditors were paid more than expected especially eskom.
Consumer debtors	12 688 342	(2 883 476)	9 804 866	2 683 928	(7 120 938)	The Impairment was less than expected.
Other debtors	3 578 540	-	3 578 540	2 019 118	(1 559 422)	Impairment was less than expected
Inventory	50 000	-	50 000	65 766	15 766	Cashflow constraints meant the municipality can only purchase inventory as needed for projects at the time.
	28 741 136	(6 787 341)	21 953 795	5 461 375	(16 492 420)	

Non-Current Assets

Long-term receivables	460 000	-	460 000	-	(460 000)	
Investment property	7 729 100	-	7 729 100	7 896 064	166 964	Changes to Investment properties were as a result of the fair value movement due to investment property valuation.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Property, plant and equipment	244 554 831	(360 373)	244 194 458	225 856 548	(18 337 910)	Budget was based on the asset register before the new asset register was compiled. or completed.
Intangible	-	-	-	178 242	178 242	Purchases of intangible assets relating to the library increased.
Other non-current assets	-	-	-	460 734	460 734	
	252 743 931	(360 373)	252 383 558	234 391 588	(17 991 970)	
Non-Current Assets	28 741 136	(6 787 341)	21 953 795	5 461 375	(16 492 420)	
Current Assets	252 743 931	(360 373)	252 383 558	234 391 588	(17 991 970)	
	-	-	-	-	-	
Total Assets	281 485 067	(7 147 714)	274 337 353	239 852 963	(34 484 390)	
Liabilities						
Current Liabilities						
Borrowing	270 000	16 200	286 200	1 155 503	869 303	Budgeted amount includes the finance charges The finance lease liability was budgeted for under Provisions.
Consumer deposits	693 715	-	693 715	563 765	(129 950)	Less connections were made than anticipated.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Trade and other payables	24 000 000	-	24 000 000	63 239 900	39 239 900	Retention fees not budgeted for, more payments made to Eskom than expected however the outstanding amounts still increased due to interest. Unspent grants budgeted for as part of payables.
Provisions	17 572 883	-	17 572 883	9 410 770	(8 162 113)	Less consumer debt than expected. A number of accounts was closed meaning deposits were paid back A decrease in the provision on landfill sites was not budgeted for.
	42 536 598	16 200	42 552 798	74 369 938	31 817 140	
Non-Current Liabilities						
Borrowing	4 984 385	(798 915)	4 185 470	3 432 271	(753 199)	This liability was not budgeted for.
Provisions	7 202 575	539 095	7 741 670	4 978 094	(2 763 576)	A decrease in the landfill site provision was not expected.]
	12 186 960	(259 820)	11 927 140	8 410 365	(3 516 775)	
	42 536 598	16 200	42 552 798	74 369 938	31 817 140	
	12 186 960	(259 820)	11 927 140	8 410 365	(3 516 775)	
	-	-	-	-	-	
Total Liabilities	54 723 558	(243 620)	54 479 938	82 780 303	28 300 365	
Assets	281 485 067	(7 147 714)	274 337 353	239 852 963	(34 484 390)	

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Liabilities	(54 723 558)	243 620	(54 479 938)	(82 780 303)	(28 300 365)	
Net Assets	226 761 509	(6 904 094)	219 857 415	157 072 660	(62 784 755)	
Community wealth/equity						
Accumulated Surplus/(Deficit)	226 761 509	(6 904 094)	219 857 415	156 074 990	(63 782 425)	Effected by prior period errors.
Total community wealth/equity	226 761 509	(6 904 094)	219 857 415	156 074 990	(63 782 425)	

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Cash Flow Statement

Cash flows from operating activities

Receipts

Ratepayers and other	23 123 408	(2 879 559)	-	20 238 126	20 238 126	Refer to Statement of financial performance.
Government - operating	24 031 900	-	-	51 769 873	51 769 873	Cashflow budgeted under goods & Services Cashflow budgeted under goods & Services.
Government - capital	14 283 100	(875 000)	-	5 657 000	5 657 000	
Interest	843 707	59 531	-	486 591	486 591	Refer to statement of financial performance
	62 282 115	(3 695 028)	-	78 151 590	78 151 590	

Payments

Suppliers and employees	(44 096 087)	(680 439)	(44 776 526)	(34 226 213)	10 550 313	Refer to statement of financial performance.
Finance charges	(684 990)	174 814	(510 176)	(600 135)	(89 959)	
Transfers and Grants	(1 246 533)	-	(1 246 533)	(5 121 860)	(3 875 327)	
	(46 027 610)	(505 625)	(46 533 235)	(39 948 208)	6 585 027	
Total receipts	62 282 115	(3 695 028)	-	78 151 590	78 151 590	
Total payments	(46 027 610)	(505 625)	(46 533 235)	(39 948 208)	6 585 027	
Net cash flows from operating activities	16 254 505	(4 200 653)	(46 533 235)	38 203 382	84 736 617	

Cash flows from investing activities

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Receipts						
Proceeds on disposal of PPE	5 000 000	(5 000 000)	-	-		- Due to the fact that water rights first needs to be obtained for the different erven and then the selling price would increase significantly, therefore the adjustments to the budget as the water rights will probably not be obtained before the end of 2016/17 financial year.
Decrease (increase) other non-current receivables	-	-	-	330 303	330 303	
	5 000 000	(5 000 000)	-	330 303	330 303	
Payments						
Capital assets	(14 323 100)	875 000	(13 448 100)	(7 293 109)	6 154 991	
Net cash flows from investing activities	(9 323 100)	(4 125 000)	(13 448 100)	(6 962 806)	6 485 294	
Cash flows from financing activities						
Receipts						
Increase (decrease) in consumer deposits	-	-	-	(175 495)	(175 495)	
Payments						
Repayment of borrowing	(710 000)	440 000	(270 000)	(1 064 238)	(794 238)	
Net cash flows from investing activities	(710 000)	440 000	(270 000)	(1 239 733)	(969 733)	
Net increase/(decrease) in cash held	6 221 405	(7 885 653)	(60 251 335)	30 000 843	90 252 178	
Cash/cash equivalents at the year begin:	722 539	487 301	1 209 840	576 756	(633 084)	
Cash and cash equivalents at the end of the year	6 943 944	(7 398 352)	(59 041 495)	30 577 599	89 619 094	

The accounting policies on pages 27 to 46 and the notes on pages 46 to 100 form an integral part of the financial statements.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2017											
Financial Performance											
Property rates	3 378 412	3 944 139	7 322 551	-		7 322 551	3 881 994		(3 440 557)	53 %	115 %
Service charges	19 163 914	(411 545)	18 752 369	-		18 752 369	20 729 930		1 977 561	111 %	108 %
Investment revenue	333 285	237 285	570 570	-		570 570	505 433		(65 137)	89 %	152 %
Transfers recognised - operational	24 031 900	-	24 031 900	-		24 031 900	26 273 157		2 241 257	109 %	109 %
Other own revenue	10 931 329	(5 578 766)	5 352 563	-		5 352 563	6 153 931		801 368	115 %	56 %
Total revenue (excluding capital transfers and contributions)	57 838 840	(1 808 887)	56 029 953	-		56 029 953	57 544 445		1 514 492	103 %	99 %
Employee costs	(25 124 699)	(2 267 317)	(27 392 016)	-	-	(27 392 016)	(26 241 454)	-	1 150 562	96 %	104 %
Remuneration of councillors	(3 004 093)	322 102	(2 681 991)	-	-	(2 681 991)	(2 258 727)	-	423 264	84 %	75 %
Debt impairment	-	(231 159)	(231 159)			(231 159)	(5 321 007)	-	(5 089 848)	2 302 %	DIV/0 %
Depreciation and asset impairment	(7 781 705)	(360 373)	(8 142 078)			(8 142 078)	(10 393 463)	-	(2 251 385)	128 %	134 %
Finance charges	(680 438)	(178 675)	(859 113)	-	-	(859 113)	(8 342 303)	-	(7 483 190)	971 %	1 226 %
Materials and bulk purchases	(13 968 844)	527 458	(13 441 386)	-	-	(13 441 386)	(12 838 864)	-	602 522	96 %	92 %
Transfers and grants	-	117 465	117 465	-	-	117 465	-	-	(117 465)	- %	DIV/0 %
Other expenditure	(9 028 645)	(2 150 197)	(11 178 842)	-	-	(11 178 842)	(20 489 653)	-	(9 310 811)	183 %	227 %
Total expenditure	(59 588 424)	(4 220 696)	(63 809 120)	-	-	(63 809 120)	(85 885 471)	-	(22 076 351)	135 %	144 %

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Total revenue (excluding capital transfers and contributions)	57 838 840	(1 808 887)	56 029 953	-	-	56 029 953	57 544 445	-	1 514 492	103 %	99 %
Total expenditure	(59 588 424)	(4 220 696)	(63 809 120)	-	-	(63 809 120)	(85 885 471)	-	(22 076 351)	135 %	144 %
Surplus/(Deficit)	(1 749 584)	(6 029 583)	(7 779 167)	-	-	(7 779 167)	(28 341 026)	-	(20 561 859)	364 %	1 620 %
Transfers recognised - capital	14 283 100	(875 000)	13 408 100	-	-	13 408 100	8 328 302	-	(5 079 798)	62 %	58 %
Surplus/(Deficit)	(1 749 584)	(6 029 583)	(7 779 167)	-	-	(7 779 167)	(28 341 026)	-	(20 561 859)	364 %	1 620 %
Capital transfers and contributions	14 283 100	(875 000)	13 408 100	-	-	13 408 100	8 328 302	-	(5 079 798)	62 %	58 %
Surplus (Deficit) after capital transfers and contributions	12 533 516	(6 904 583)	5 628 933	-	-	5 628 933	(20 012 724)	-	(25 641 657)	(356)%	(160)%
Surplus (Deficit) after capital transfers and contributions	12 533 516	(6 904 583)	5 628 933	-	-	5 628 933	(20 012 724)	-	(25 641 657)	(356)%	(160)%
Surplus/(Deficit) for the year	12 533 516	(6 904 583)	5 628 933	-	-	5 628 933	(20 012 724)	-	(25 641 657)	(356)%	(160)%

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Companies Act, 71 of 2008.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 49 Changes in accounting policy.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 22 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 20.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Cash & Cash Equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Property, plant and equipment & Intangible

Property, plant and equipment & Intangible are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment & intangible is recognised as an asset if, and only if,

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and if
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment & Intangible is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment & intangible is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment & Intangible (continued)

Where an item of property, plant and equipment & intangible is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment & intangible have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment & intangible.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment & intangible and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment & intangible, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment & intangible, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment & intangible ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment & intangible.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment & intangible and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment & intangible. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment & Intangible is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment & Intangible is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment & intangible is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment & intangible is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment & intangible is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment & intangible is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment & Intangible are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment & Intangible is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment & intangible have been assessed as follows:

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.5 Property, plant and equipment & Intangible (continued)

Infrastructure	Straight line	
• Roads & Paving		5 - 80
• Electricity		5 - 50
• Water		10 - 100
• Sewerage/ Solid waste		10 - 60
• Water		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		2 - 7
• Emergency Equipment		5
• Furniture & Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant and Equipment		5 - 15

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment & intangible with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment & intangible are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment & intangible is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment & intangible is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment & intangible in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.6 Site restoration and dismantling cost (Landfill sites)

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment & intangible. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment & intangible includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.7 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	7 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash & Cash Equivalents	Financial asset measured at amortised cost
Trade Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Payables	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.10 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.11 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.12 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.13 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.14 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.15 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.15 Employee benefits (continued)

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.16 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.16 Provisions and contingencies (continued)

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 53.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.17 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or operational commitments are excluded.

1.18 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.18 Revenue from exchange transactions (continued)

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

1.19 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.19 Revenue from non-exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.20 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Change in accounting policy due to amendments to GRAP 5 - Borrowing costs

The adoption of amendments to GRAP 5 - Borrowing costs resulted in a change in accounting policy during the current period. The effect of the change is that borrowing costs are now expensed when incurred, and this change is applied prospectively since . The effective date of the amendments were .

Borrowing costs, incurred both before and after the effective date of this amendment and related to qualifying assets for which the commencement date for capitalisation is prior to the effective date of this Standard, is recognised in accordance with the municipality's previous accounting policy.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.24 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.25 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2016/07/01 to 2017/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.26 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.27 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Accounting Policies

1.28 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Notes to the Financial Statements

Figures in Rand	2017	2016
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2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2017 or later periods:

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

GRAP 12 (as amended 2016): Inventories

Amendments to the Standard of GRAP on Inventories resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 12 on Inventories (IPSAS 12) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12)
- IPSASB amendments: To align terminology in GRAP 12 with that in IPSAS 12. The term “ammunition” in IPSAS 12 was replaced with the term “military inventories” and provides a description of what it comprises in accordance with Government Finance Statistics terminology

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 17 (as amended 2016): Property, Plant and Equipment

Amendments to the Standard of GRAP on Property, Plant and Equipment resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets.
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of property, plant, and equipment is revalued; To clarify acceptable methods of depreciating assets; To align terminology in GRAP 17 with that in IPSAS 17. The term “specialist military equipment” in IPSAS 17 was replaced with the term “weapon systems” and provides a description of what it comprises in accordance with Government Finance Statistics terminology; and To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

GRAP 27 (as amended 2016): Agriculture

Amendments to the Standard of GRAP on Agriculture resulted from changes made to IPSAS 27 on Agriculture (IPSAS 27) as a result of the IPSASB's Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To define a bearer plant and include bearer plants within the scope of GRAP 17, while the produce growing on bearer plants will remain within the scope of GRAP 27. In addition to the changes made by the IPSASB, a consequential amendment has been made to GRAP 103 on Heritage Assets. The IPSASB currently does not have a pronouncement on this topic.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 31 (as amended 2016): Intangible Assets

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 103 (as amended 2016): Heritage Assets

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 110 (as amended 2016): Living and Non-living Resources

Amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality expects to adopt the amendment for the first time in the 2018 financial statements.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

2. New standards and interpretations (continued)

The effective date of the standard is not yet set by the Minister of Finance.

The municipality expects to adopt the standard for the first time when the Minister sets the effective date for the standard.

It is unlikely that the standard will have a material impact on the municipality's financial statements.

3. Inventories

Consumable stores	64 540	47 239
Water	1 226	1 656
	65 766	48 895

Carrying value of inventories carried at lowest of cost or net realisable value	65 767	48 895
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Inventories recognised as an expense during the year	113 694	142 047
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Inventory pledged as security

No inventory was pledged as security during the current financial period..

4. Receivables from exchange transactions

Deposits	106 780	72 501
Consumer debtors - Electricity	1 482 640	1 383 852
Consumer debtors - Water	311 279	323 105
Consumer debtors - Sewerage	246 174	175 264
Consumer debtors - Refuse	132 444	92 826
Consumer debtors - Arrears	97 988	87 455
Consumer debtors - Rentals	17 590	61 541
Consumer debtors - Other	30 721	29 148
	2 425 616	2 225 692

Reconciliation of provision for impairment of trade and other receivables

5. Receivables from non-exchange transactions

Fines	1 223 761	358 481
Consumer debtors - Rates	365 093	406 097
	1 588 854	764 578

Receivables from non-exchange transactions impaired

As of 30 June 2017, Traffic fine receivables from non-exchange transactions, due to the impairment raised in the prior year, no impairment was raised for current year due to no change in the traffic services legal matter.

The amount of the traffic fines and provision recognised was as follows.

Traffic fines	3 991 572	3 275 535
Provision for traffic fines	(2 859 361)	(2 917 054)
	1 132 211	358 481

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
6. Debt impairment		
Contributions to debt impairment provision	5 321 007	119 889
The debt impairment indicated above includes both the impairments on Current and Non-Current Debtors.		
The Impairment movement is made up as follow:		
Opening Balance (Current & Non-Current) -	(31 239 202)	(46 056 195)
Bad debt written off (Traffic fines)	-	(119 889)
Provision on Current Debtors	(4 451 876)	14 936 882
	(35 691 078)	(31 239 202)
7. Consumer debtors disclosure		
Gross balances		
Consumer debtors - Rates	4 979 121	4 568 630
Consumer debtors - Electricity	5 431 319	5 426 042
Consumer debtors - Water	11 487 303	9 566 498
Consumer debtors - Sewerage	8 845 224	7 841 682
Consumer debtors - Refuse	5 023 932	4 433 134
Consumer debtors - Arrears	1 403 217	1 168 423
Consumer debtors - Rentals	1 218 042	704 001
Consumer debtors - Other	(13 151)	90 080
	38 375 007	33 798 490
Less: Allowance for impairment		
Consumer debtors - Rates	(4 614 028)	(4 162 533)
Consumer debtors - Electricity	(3 948 679)	(4 042 190)
Consumer debtors - Water	(11 176 024)	(9 243 393)
Consumer debtors - Sewerage	(8 599 050)	(7 666 418)
Consumer debtors - Refuse	(4 891 488)	(4 340 308)
Consumer debtors - Arrears	(1 305 229)	(1 080 968)
Consumer debtors - Rentals	(1 200 452)	(642 460)
Consumer debtors - Other	43 872	(60 932)
	(35 691 078)	(31 239 202)
Net balance		
Consumer debtors - Rates	365 093	406 097
Consumer debtors - Electricity	1 482 640	1 383 852
Consumer debtors - Water	311 279	323 105
Consumer debtors - Sewerage	246 174	175 264
Consumer debtors - Refuse	132 444	92 826
Consumer debtors - Arrears	97 988	87 455
Consumer debtors - Rentals	17 590	61 541
Consumer debtors - Other	30 721	29 148
	2 683 929	2 559 288

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
7. Consumer debtors disclosure (continued)		
Included in above is receivables from exchange transactions		
Electricity	1 482 544	1 383 852
Water	311 279	323 105
Sewerage	245 891	175 264
Refuse	132 299	92 826
Arrears	97 986	87 455
Rentals	12 957	61 541
Other	2 967	29 148
	2 285 923	2 153 191
Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	456 013	406 097
Net balance	2 741 936	2 559 288
Rates		
Current (0 -30 days)	104 699	93 335
31 - 60 days	32 281	19 645
61 - 90 days	19 917	15 613
91 - 120 days	19 117	14 928
121 - 365 days	189 079	262 576
	365 093	406 097
Electricity		
Current (0 -30 days)	1 023 257	971 184
31 - 60 days	127 571	92 721
61 - 90 days	41 528	52 380
91 - 120 days	24 052	47 911
121 - 365 days	266 232	219 656
	1 482 640	1 383 852
Water		
Current (0 -30 days)	103 051	104 356
31 - 60 days	18 672	23 084
61 - 90 days	12 374	18 559
91 - 120 days	8 741	11 717
121 - 365 days	168 441	165 389
	311 279	323 105
Sewerage		
Current (0 -30 days)	62 217	54 667
31 - 60 days	19 443	12 401
61 - 90 days	11 464	7 226
91 - 120 days	6 865	5 730
121 - 365 days	146 185	95 240
	246 174	175 264

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

7. Consumer debtors disclosure (continued)

Refuse

Current (0 -30 days)	30 053	25 703
31 - 60 days	9 124	6 119
61 - 90 days	4 695	3 802
91 - 120 days	3 646	3 005
121 - 365 days	84 926	54 197
	132 444	92 826

Arrears

Current (0 -30 days)	15 453	16 100
31 - 60 days	7 817	9 683
61 - 90 days	7 163	6 805
91 - 120 days	6 408	8 110
121 - 365 days	61 147	46 757
	97 988	87 455

Rental

Current (0 -30 days)	11 374	13 400
31 - 60 days	-	10 846
61 - 90 days	-	5 062
91 - 120 days	-	4 620
121 - 365 days	6 216	27 613
	17 590	61 541

Other

Current (0 -30 days)	688	1 744
31 - 60 days	462	62
61 - 90 days	416	62
91 - 120 days	416	76
121 - 365 days	28 739	27 204
	30 721	29 148

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
7. Consumer debtors disclosure (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	1 200 691	1 198 898
31 - 60 days	485 838	507 771
61 - 90 days	470 982	454 839
91 - 120 days	415 031	421 618
121 - 365 days	30 274 540	26 768 363
	32 847 082	29 351 489
Less: Allowance for impairment	(31 410 539)	(27 971 117)
	1 436 543	1 380 372
Industrial/ commercial		
Current (0 -30 days)	847 623	846 542
31 - 60 days	262 861	202 948
61 - 90 days	151 005	167 171
91 - 120 days	130 775	171 301
121 - 365 days	3 667 053	2 763 748
	5 059 317	4 151 710
Less: Allowance for impairment	(4 122 603)	(3 244 702)
	936 714	907 008
National and provincial government		
Current (0 -30 days)	207 908	131 452
31 - 60 days	61 247	27 353
61 - 90 days	31 077	14 678
91 - 120 days	28 202	11 055
121 - 365 days	226 725	230 868
	555 159	415 406
Less: Allowance for impairment	(186 481)	(143 272)
	368 678	272 134
Total debtor past due but not impaired		
31 - 60 days	215 371	174 834
61 - 90 days	97 556	109 507
91 - 120 days	69 245	96 086
121 - 365 days	1 008 972	898 598
	1 391 144	1 279 025
Reconciliation of allowance for impairment		
Balance at beginning of the year	(31 239 202)	(51 483 764)
Contributions to allowance	(4 451 876)	-
Reversal of allowance	-	20 244 562
	(35 691 078)	(31 239 202)

8. Other Receivables

Other receivables consist out of:

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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8. Other Receivables (continued)

Motor registration	411 416	411 416
Dispute	351 701	351 701
	763 117	763 117

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6 486	6 132
Bank balances	580 294	741 055
Short-term deposits	13 783	2 421 805
	600 563	3 168 992

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2017	30 June 2016	30 June 2015	30 June 2017	30 June 2016	30 June 2015
ABSA Bank - Current Account - (Account No. 40-7030-7030)	263 702	28 890	346 607	13 102	22 981	344 929
ABSA Bank - Current Account - (Account No. 92-2871-4535)	1 371	1 408	1 350	-	1 408	1 350
Standard Bank - 048873772-001	13 783	2 421 805	4 801	13 783	2 421 805	4 801
Standard Bank - 041879171	570 723	122 016	222 639	567 192	159 887	238 757
Traffic Bank Account - 063362309	2 167	555 916	35 013	-	555 916	35 013
Petty Cash & Float	7 967	98 132	-	6 486	98 132	97 689
Total	859 713	3 228 167	610 410	600 563	3 260 129	722 539

10. Investment property

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	7 896 064	-	7 896 064	7 856 333	-	7 856 333

Reconciliation of investment property - 2017

	Opening balance	Fair value adjustments	Total
Investment property	7 856 333	39 731	7 896 064

Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	7 729 100	(181 300)	308 533	7 856 333

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
10. Investment property (continued)		
Details of property		
Land		
Land held for capital appreciation.		
- Fair value	3 354 190	3 314 459
Land and Improvements		
Land and Improvements held for capital appreciation.		
- Fair value	4 541 874	4 541 874

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2017. The method used by the valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current marked value from analysis of most recent property sales dating from 2009 to current.

The assumptions made were to use the marked related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of Investment Property was provided by Pieter Hendrik Venter, registered as a Candidate Valuer under subsection (2) of section 22 of (Act 47) of 2000 assisted Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of Section 22 of (Act 47) of 2000 of the Property Valuers Profession Bill.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

11. Property, plant and equipment & Intangible

	2017			2016		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 193 673	-	7 193 673	7 193 673	-	7 193 673
Buildings	4 507 697	(2 554 726)	1 952 971	4 507 697	(2 404 470)	2 103 227
Plant and machinery	1 229 969	(502 875)	727 094	1 054 532	(399 855)	654 677
Furniture and fixtures	1 161 777	(487 316)	674 461	974 667	(428 685)	545 982
Motor vehicles	1 248 061	(321 181)	926 880	1 089 700	(287 777)	801 923
Office equipment	1 392 263	(603 937)	788 326	2 200 933	(856 956)	1 343 977
Finance lease assets	1 229 345	(663 462)	565 883	2 333 179	(1 735 904)	597 275
Infrastructure	307 860 007	(106 008 159)	201 851 848	307 842 694	(96 422 255)	211 420 439
Emergency equipment	305 684	(165 693)	139 991	305 684	(155 747)	149 937
Work in Progress	11 035 350	-	11 035 350	5 754 824	-	5 754 824
Total	337 163 826	(111 307 349)	225 856 477	333 257 583	(102 691 649)	230 565 934

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment & Intangible (continued)

Reconciliation of property, plant and equipment & intangible - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	7 193 673	-	-	-	-	7 193 673
Buildings	2 103 227	-	-	(150 256)	-	1 952 971
Plant and machinery	654 677	175 438	-	(103 011)	(10)	727 094
Furniture and fixtures	545 982	187 110	-	(55 958)	(2 673)	674 461
Motor vehicles	801 923	158 361	-	(33 404)	-	926 880
Office equipment	1 343 977	84 732	(515 202)	(119 235)	(6 012)	788 326
Finance lease assets	597 275	710 944	(525 602)	(216 734)	-	565 883
Infrastructure	211 420 439	39 930	(25 330)	(7 832 974)	(1 750 147)	201 851 848
Emergency equipment	149 937	-	-	(6 615)	(3 331)	139 991
Work in Progress	5 754 824	5 280 526	-	-	-	11 035 350
	230 565 934	6 637 041	(1 066 134)	(8 518 187)	(1 762 173)	225 856 477

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment & Intangible (continued)

Reconciliation of property, plant and equipment & intangible - 2016

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Total
Land	7 227 066	-	(33 393)	-	-	-	7 193 673
Buildings	2 253 859	-	-	-	-	(150 632)	2 103 227
Plant and machinery	581 995	135 835	-	-	-	(63 150)	654 677
Furniture and fixtures	571 969	5 210	-	-	-	(31 235)	545 982
Motor vehicles	821 378	-	-	-	-	(19 455)	801 923
Office equipment	1 334 551	147 996	(19 389)	-	-	(119 115)	1 343 977
Finance Lease Assets	978 921	-	(3 555)	-	-	(378 091)	597 275
Infrastructure	180 193 372	2 288 770	-	36 238 081	-	(7 299 784)	211 420 439
Emergency Equipment	156 569	-	-	-	-	(6 632)	149 937
Work in Progress	24 626 613	17 366 293	-	-	(36 238 082)	-	5 754 824
	218 746 293	19 944 104	(56 337)	36 238 081	(36 238 082)	(8 068 094)	230 565 934

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

11. Property, plant and equipment & Intangible (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment & intangible have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and Paving	Straight line	10 - 100
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Computer software	Straight line	3
Emergency Equipment	Straight line	10
Plant & Equipment	Straight line	5 - 15
Community Facilities	Straight line	30
Recreational Facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Sewerage / Solid Waste	Straight line	15 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

Finance lease assets	565 883	597 275
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Other information

Details of properties

Property, plant and equipment in the process of being constructed or developed

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Total
Opening balance	5 754 824	5 754 824
Additions/capital expenditure	5 280 526	5 280 526
	11 035 350	11 035 350

Reconciliation of Work-in-Progress 2016

	Included within Infrastructure	Total
Opening balance	24 626 613	24 626 613
Additions/capital expenditure	17 366 293	17 366 293
Transferred to completed items	(36 238 082)	(36 238 082)
	5 754 824	5 754 824

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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12. Intangible assets

	2017			2016		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	582 817	(404 505)	178 312	561 088	(292 120)	268 968

Reconciliation of intangible assets - 2017

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	268 968	23 127	(683)	(113 100)	178 312

Reconciliation of intangible assets - 2016

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software, other	318 534	63 840	(595)	(112 811)	268 968

13. Non-Current Receivables from Exchange Transactions

Thembelihle Municipality provides two settlement options to Consumer debtors to settle their outstanding service accounts,
Option 1: 25% of the outstanding balance is paid over 3 years. Once the 25% is settled the remaining 75% of the outstanding account are written off.

Option 2: 60% of the outstanding balance is paid once-off and the remaining 40% of the outstanding balance is written off.

The balance of R455 117 (2016: R455 117), after provision for impairments of R2 259 097 (2016: R2 271 376), reflect the Non-Current portion payable under Option1. The Amount written off under Option 1 and 2 totals R362 012 (2015: R357 919).

14. Loan payable

At amortised cost

DBSA Loans Non Current	3 178 838	3 817 470
DBSA Loans Current	894 490	893 834

4 073 328 4 711 304

Total other financial liabilities

4 073 328 4 711 304

DBSA Loans are repayable on a quarterly basis at R178 663 with an interest charge of 14.79% per year. The loan will be fully repaid in March 2024.

Non-current liabilities

At amortised cost	3 178 838	3 817 470
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Current liabilities

At amortised cost	894 490	893 834
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Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
15. Finance lease obligation		
Minimum lease payments due		
- within one year	261 013	19 149
- in second to fifth year inclusive	250 075	1 147
	511 088	20 296
less: future finance charges	(46 562)	(933)
Present value of minimum lease payments	464 526	19 363
Present value of minimum lease payments due		
- within one year	227 038	18 226
- in second to fifth year inclusive	237 489	214
	464 527	18 440
Non-current liabilities	253 433	214
Current liabilities	261 013	19 149
	514 446	19 363

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the prime interest rate was 11% (2016: 11%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

Market risk

The carrying amounts of finance lease liabilities are denominated in Rand:

Rand	730 307	19 363
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The fair value of finance lease liabilities approximates their carrying amounts.

16. Payables from exchange transactions

Trade payables	62 126 315	46 302 593
Payments received in advanced	287 551	446 725
Staff Overpaid	17 187	17 187
Rental Deposits	2 770	2 770
Accrued leave pay	1 568 962	1 523 126
Accrued bonus	462 749	388 540
Unallocated deposits received	157 989	155 508
Other payables	399 230	268 422
Retention fees	1 047 821	1 144 879
	66 070 574	50 249 750

17. VAT payable

18. VAT receivable

VAT	4 599 709	4 668 324
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The Municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
18. VAT receivable (continued)		
VAT receivable from SARS:	2 263 021	2 214 053
Deferred VAT Claimable:	8 747 801	(48 386)
Deferred VAT Payable:	(10 176 495)	(3 669 779)
SARS payments made:	2 263 806	(1 574 280)
	-	-

19. Consumer deposits

Rates	563 765	522 760
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20. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post employment medical aid contributions. All subsidies are subject to a maximum of R3 942 for the year ending 30 June 2017. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post employment medical scheme subsidy were 34 in-service members and 7 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2017 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value

Present value of the defined benefit obligation-wholly unfunded	2 047 516	1 843 058
Present value of the defined benefit obligation-partly or wholly funded	3 184 968	2 957 316
	5 232 484	4 800 374
Non-current liabilities	(4 978 094)	(4 582 406)
Current liabilities	(254 390)	(217 968)
	(5 232 484)	(4 800 374)

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4 787 844	4 405 661
Benefits paid	(217 968)	(165 624)
Net expense recognised in the statement of financial performance	684 739	547 807
	5 254 615	4 787 844

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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20. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

Current service cost	248 401	197 519
Interest cost	436 338	350 288
	684 739	547 807

Calculation of actuarial gains and losses

Actuarial (gains) losses – Obligation	34 661	46 283
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Key assumptions used

Assumptions used at the reporting date:

Discount rates used	9.41 %	9.30 %
Medical cost trend rates	1.57 %	0.84 %
Expected increase in healthcare costs	7.71 %	8.38 %
Future changes in maximum state healthcare benefits	5.41 %	5.91 %

Replacement Ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement Assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age: The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

Continuation of Membership: It has been assumed that 100% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we've assumed that 100% of married, 90% of single of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and Post retirement mortality will have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	-	5 266 000
Effect on defined benefit obligation	5 180 160	5 284 809
	-	596 000
	-	506 600

Amounts for the current and previous three years are as follows:

	R	R	R	R	R
Defined benefit obligation	5 232 485	4 800 000	-	3 769 000	5 875 000
Surplus (deficit)	-	(4 800 000)	-	(3 769 000)	(5 875 000)
Experience adjustments on plan liabilities	-	225 000	-	-	-

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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20. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for this these plans as a defined contribution plans:

21. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal Infrastructure Grant	89 357	-
Library Grant	1 669 163	1 544 725
Expanded Public Works Programme	8 299	259 723
Municipal Systems Infrastructure Grant	2 175	2 175
Integrated National Electricity Programme	38	38
	1 769 032	1 806 661

Movement during the year

Balance at the beginning of the year	1 389 682	1 277 953
Additions during the year	32 983 284	21 456 000
Income recognition during the year	(32 675 350)	(20 927 292)
	1 697 616	1 806 661

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited; and

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 35 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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22. Provisions

Reconciliation of provisions - 2017

	Opening Balance	Reduction due to re- measurement or settlement without cost to entity	Total
Environmental rehabilitation	7 844 900	(41 483)	7 803 417

Reconciliation of provisions - 2016

	Opening Balance	Additions	Total
Environmental rehabilitation	7 532 099	312 801	7 844 900

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Neither one of the two Landfill sites are registered as official dumping sites and are therefore operated without a permit. As disclosed in the Government Gazette no 10747 dated 24 July 2015, the maximum fine applicable for operating a waste disposal site under section 24G Fine Regulations of NEMA, rounds up to R10 million per site and a contingent liability has been disclosed.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2017.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2017. As the closure date is estimated to be at year end, no discount rates were applied.

There is a new site under development at Hopetown at 30 June 2017, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future, but cannot during this year's assessment due to no obligation to rehabilitate yet.

Summary of assumptions made for valuation purpose:

- Disposal rate at the sites less than 25 tonnes per day based on population statistics.
- Capping design based on DWS comments and/or recently issued closure licences in other Municipalities since no closure licences or designs have been issued for the Thembelihle Local Municipality.
- Sufficient quantities of capping material in the proportions as described in section 3.1 of independent valuation report are available from on-site and nearby sources and the rest are to be imported from commercial sources also as described under section 3.1. of the independent valuation report.
- The sites under consideration will be closed and replaced by the new Hopetown Landfill which is in development.
- Clay was replaced by GCL in the design estimate due to the unlikely availability of sufficient quality clay from on-site sources.

23. Third Party collections

The Liability is due to collections on behalf of the Department of safety on which the Municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections, were not paid over to the Department of safety. The balance payable to the Department of safety due to these non-payments is R1 143 766 (2016: R1 143 766)

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

24. Long Service awards

The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening Balance	1 134 491
Current-service cost	144 554
Interest cost	93 188
Actuarial (Gain)/Loss	-140 542
Employee Benefit vesting's	-24 823
Closing Balance	1 206 868
Current Portion	209 197
Non-Current Portion	997 671

Key Financial Assumptions:

Discount rate:	8.48% p.a
General Salary Inflation:	6.30% p.a
Net effective discount rate:	1.05% p.a

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of long service awards, for each employee. The corresponding liability weighted index-linked yield is 2.54%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The expected inflation assumption of 5.30% was obtained from the differential between market yields on index-linked bonds (2.54%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.48%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as $((1+8.48\%-0.50\%)/(1+2.54\%))-1$

Thus, a general salary inflation rate of 6.30% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.05%.

It has been assumed that the next salary increase will take place on 1 July 2018.

Key Demographic assumptions:

Average retirement age: 63 years

Mortality during employment: SA 85-90

Withdrawal from service (Sample annual rates)	Age	Rate Female	Rate Male
	20	24%	16%
	30	15%	10%
	40	6%	6%
	50	2%	2%
	55	1%	1%

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

24. Long Service awards (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Salary Scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 6.30% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 45	0.0%

Pre-retirement Mortality:

SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:

The normal retirement age is 65. It has been assumed that employees will retire at age 63 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

Age	Females	Males
20	24%	16%
25	18%	12%
30	15%	10%
35	10%	8%
40	6%	6%
45	4%	4%
50	2%	2%
55	1%	1%
>55	0%	0%

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general salary inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year decrease and increase in the assumed average retirement age of employees; and
- (iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		1.207	
General salary inflation	+1%	1.287	7%
	-1%	1.135	-6%
Discount Rate	+1%	1.131	-6%
	-1%	1.292	7%
Average retirement age	-2 yrs	1.112	-8%
	+2 yrs	1.275	6%
Withdrawal rates	-50%	1.422	18%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 7% higher than the results shown.

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2018

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
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Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand 2017 2016

24. Long Service awards (continued)

Central assumptions		132,500	93,200	226,200	
General salary inflation	+1%	143,900	100,500	244,400	8%
	-1%	122,300	87,600	209,900	-7%
Discount Rate	+1%	123,100	97,600	220,700	-2%
	-1%	143,200	89,000	232,200	3%
Average retirement age	-2 yrs	121,600	85,600	207,200	-8%
	+2 yrs	139,300	99,500	238,800	6%
Withdrawal rate	-50%	167,600	112,000	279,600	24%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2017

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central assumptions		144,600	93,200	237,800	
General salary inflation	+1%	157,300	99,900	257,200	8%
	-1%	133,300	87,100	220,400	-7%
Discount Rate	+1%	134,000	96,800	230,800	-3%
	-1%	156,600	88,800	245,400	3%
Average retirement age	-2 yrs	133,800	85,400	219,200	-8%
	+2 yrs	151,400	98,900	250,300	5%
Withdrawal rates	-50%	186,400	111,300	297,700	25%

History of liabilities and assets

Accrued Liability	1 206 868	1 134 491
Fair value of plan asset	-	-
Surplus / (Deficit)	(1 206 868)	(1 134 491)
	-	-

Past year and future projected Liability

Opening Accrued Liability	1 134 491	997 672
Current-service Cost	144 554	118 458
Interest Cost	93 188	76 178
Expected Benefit Vesting's	(24 823)	(55 923)
Total Annual Expense	212 919	138 713
Actuarial Loss / (Gain)	(140 542)	(1 894)
Closing Accrued Liability	(1 206 868)	(1 134 491)
	212 919	138 713

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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25. Revenue

Service charges	20 729 930	19 939 730
Rental of facilities and equipment	1 044 843	834 606
Interest received (trading)	559 657	179 674
Dividends received (trading)	2 310 590	2 426 680
Licences and permits	144 874	57 446
Administration and management fees received	-	1
Commissions received	64 013	122 486
Recoveries	-	14 693 969
Other income - (rollup)	441 134	240 099
Connection fees	117 486	84 055
Interest received - investment	505 433	368 613
Property rates	3 881 994	3 137 037
Informal Settlement Rates	153 674	198 362
Government grants & subsidies	34 601 459	42 822 909
Fines, Penalties and Forfeits	1 006 900	620 345
	65 561 987	85 726 012

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	20 729 930	19 939 730
Rental of facilities and equipment	1 044 843	834 606
Interest received (trading)	559 657	179 674
Dividends received (trading)	2 310 590	2 426 680
Licences and permits	144 874	57 446
Administration and management fees received	-	1
Commissions received	64 013	122 486
Recoveries	-	14 693 969
Other income - (rollup)	441 134	240 099
Connection fees	117 486	84 055
Interest received - investment	505 433	368 613
	25 917 960	38 947 359

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	3 881 994	3 137 037
Informal Settlement Rates	153 674	198 362

Transfer revenue

Government grants & subsidies	34 601 459	42 822 909
Fines, Penalties and Forfeits	1 006 900	620 345

39 644 027	46 778 653
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26. Service charges

Sale of electricity	12 310 228	12 106 030
Sale of water	3 917 809	3 742 162
Sewerage and sanitation charges	2 981 702	2 695 917
Refuse removal	1 520 191	1 395 621
	20 729 930	19 939 730

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
27. Rental of facilities and equipment		
Premises		
Premises	981 252	784 710
Venue hire	45 843	43 414
	1 027 095	828 124
Facilities and equipment		
Rental of equipment	17 748	6 482
Premises	1 027 095	828 124
Garages and parking	-	-
Facilities and equipment	17 748	6 482
	1 044 843	834 606
28. Interest received		
Interest revenue		
Bank	505 433	368 613
Receivables from exchange transactions	-	807 643
	505 433	1 176 256
	-	-
	505 433	1 176 256
29. Licences and permits		
Licences - exchange	144 874	56 396
Duplicate motor registration - exchange	-	828
Licences - Non-exchange	48 002	232
Motor registration - Non-exchange	267 788	225 374
	460 664	282 830
30. Commissions received		
Department of safety	-	4 894
31. Discount received		
32. Other income		
Garden & Sale of Gravel	15 965	27 648
Building Plans	55 111	117 655
Advertising	5 103	5 659
Enchroachments	-	1 189
Grave Plots	9 165	10 712
Insurance payouts	69 766	30 115
Diverse repayments from employees	257 924	25 871
Photostats & faxes	1 011	1 017
Sewerage obstructions	9 219	6 079
Tender Fees	3 947	4 210
Testing of meters	605	283
Valuation Certificates Issued	13 318	9 661
	441 134	240 099

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

33. Connection fees

Relates to the amounts charged for connection of property water and electricity, either if accounts are in arrears or if property has changed hands.

Consumers	117 486	84 055
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34. Property rates

Rates received

Residential	4 085 371	3 493 128
Less: Income forgone	(203 377)	(356 091)
	3 881 994	3 137 037

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. During the financial period ended 30 June 2016 a new valuation roll was compiled which came into effect in July 2015

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2016/17 financial period there were some alterations and subdivisions which were noted, these changes in individual property values were processed correctly in the current 2016/17 financial period.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Valuations

Residential	211 748 600	196 426 600
Commercial	93 429 600	80 039 500
State	89 042 700	82 851 400
Small holdings and farms	2 998 540 100	2 821 148 100
	3 392 761 000	3 180 465 600

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2017 (30 September 2016). Interest at prime plus 1% per annum (2016: 11%)

The new general valuation was implemented on 01 July 2015.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
-----------------	------	------

35. Government grants and subsidies

Operating grants

Equitable share	19 108 001	18 676 001
Finance Management Grant (FMG)	2 010 000	1 875 000
Municipal System Implementation Grant (MSIG)	-	927 825
Expanded Public Works Programme (EPWP)	991 701	1 171 757
Library Grant	813 562	485 710
LG SETA Grant	26 147	7 368
Treasury's contribution towards Audit Fees	3 323 746	1 343 155
	26 273 157	24 486 816

Capital grants

Municipal Infrastructure Grant (MIG)	8 053 643	13 705 979
Regional Bulk Infrastructure Grant (RBIG)	274 659	4 630 114
	8 328 302	18 336 093
	26 273 157	24 486 816
	8 328 302	18 336 093
	34 601 459	42 822 909

Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	8 328 302	18 336 093
Unconditional grants received	26 273 157	24 486 816
	34 601 459	42 822 909

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.

All registered indigents receive a monthly subsidy of R 140 (2016: R 135), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

Current-year receipts	8 143 000	13 289 000
Conditions met - transferred to revenue	(8 053 643)	(13 289 000)
	89 357	-

Conditions still to be met - remain liabilities (see note 21).

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.

An amount of R 0 (2016: R 0) was withheld from the allocated Equitable share as a refund of unspent MIG funds from previous financial periods.

All current year allocations were fully spent during the year and allocated to revenue under votes.

Library Grant

Balance unspent at beginning of year	1 544 725	846 435
Current-year receipts	938 000	1 184 000

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
35. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	(813 562)	(485 710)
	1 669 163	1 544 725
Conditions still to be met - remain liabilities (see note 21).		
The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.		
Expanded Public Works Programme (EPWP)		
Balance unspent at beginning of year	259 723	431 480
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(991 701)	(1 171 757)
	268 022	259 723
Conditions still to be met - remain liabilities (see note 21).		
The grants was received for the purpose of creating job opportunities. There were funds that have been withheld from equitable share in the current year relating to closing balances of EPWP grant in 2015/16 Therefore onw funds were used by the municipality. .		
Finance Management Grant (FMG)		
Balance unspent at beginning of year	-	-
Current-year receipts	2 010 000	1 875 000
Conditions met - transferred to revenue	(2 010 000)	(1 875 000)
	-	-
Conditions still to be met - remain liabilities (see note 21).		
The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.		
Municipal Systems Improvement Grant (MSIG)		
Balance unspent at beginning of year	2 175	-
Current-year receipts	-	930 000
Conditions met - transferred to revenue	-	(927 825)
	2 175	2 175
Conditions still to be met - remain liabilities (see note 21).		
The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.		
Integrated National Electricity Programme (INEP)		
Balance unspent at beginning of year	38	38
Current-year receipts	-	164 000

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
35. Government grants and subsidies (continued)		
Conditions met - transferred to revenue	-	(164 000)
	38	38

Conditions still to be met - remain liabilities (see note 21).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

Regional Bulk Infrastructure Grant (RBIG)

Balance unspent at beginning of year	-	(2 509 145)
Current-year receipts	-	7 139 259
Conditions met - transferred to revenue	-	(4 630 114)
Other - Own funds spent	274 659	-
	274 659	-

Conditions still to be met - remain liabilities (see note 21).

This Grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of infrastructure. The balance of expenditures relates to own funds utilised for the operational and maintenance work on sewerage and water schemes, these amounts will not be claimable in the 2017-18 financial period (R 274 659).

Treasury's contribution towards Audit Fees

Balance unspent at beginning of year	-	-
Current-year receipts	3 281 509	1 343 155
Conditions met - transferred to revenue	(3 281 509)	(1 343 155)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor General equal to 1% of their total expenditures per annum. The balance of the audit fees are payable by Treasury.

36. Fines, Penalties and Forfeits

Library and lost books	-	10 700
Traffic	1 006 900	609 645
	1 006 900	620 345

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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37. Employee related costs

Basic	14 035 672	12 430 093
Medical aid - company contributions	1 099 492	828 994
UIF	135 486	128 917
SDL	(164 740)	230 550
Leave pay provision charge	414 210	262 210
Defined contribution plans	922 481	742 443
Overtime payments	1 187 954	1 425 149
Long-service awards	21 056	3 340
13th Cheques	1 190 983	1 218 957
Car allowance	(178 933)	281 758
Housing benefits and allowances	67 982	53 336
Telephone Allowances	222 412	186 437
Pension fund contributions	1 959 638	2 174 777
Provident fund contributions	61 674	62 862
Stipends	13 500	161 500
Wages	21 813	31 601
	21 010 680	20 222 924

Remuneration of municipal manager

Annual Remuneration	723 376	672 047
Car Allowance	386 539	168 126
Contributions to UIF, Medical and Pension Funds	131 511	109 328
	1 241 426	949 501

Remuneration of chief finance officer

Annual Remuneration	1 144 152	586 572
Car Allowance	148 109	49 820
Contributions to UIF, Medical and Pension Funds	192 742	46 499
	1 485 003	682 891

The position of CFO has been vacant from 1 July 2016 till 30 June 2017. Acting allowance was paid during this time to X Manzi and N Jaxa.

Remuneration of corporate services director

Annual Remuneration	1 090 941	706 562
Car Allowance	150 224	-
Contributions to UIF, Medical and Pension Funds	272 472	1 785
	1 513 637	708 347

The Position of Corporate Services Director was vacant from 1 December 2016. Acting allowance was paid during this time to TP Gorra and VJ Mpamba, till 30 June 2017.

Remuneration of technical services director

Annual Remuneration	700 116	677 694
Car Allowance	288 807	-
Contributions to UIF, Medical and Pension Funds	1 785	5 198
	990 708	682 892

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
38. Remuneration of councillors		
Executive Mayor (Total Package)	-	884 968
Councillors (Total Packages)	2 258 578	1 639 394
Other # 7	149	-
	2 258 727	2 524 362
39. Administrative expenditure		
Administration and management fees	55 598	25 880
Administration and management fees - related party	511	213
	56 109	26 093
40. Depreciation and amortisation		
Property, plant and equipment & Intangible	10 280 363	8 029 267
Intangible assets	113 100	112 811
	10 393 463	8 142 078
41. Finance costs		
Non-current borrowings	225 372	154 816
Trade and other payables	8 103 931	4 988 890
Finance leases	54 483	87 689
Increase in Rehabilitation Provision	(41 483)	312 801
	8 342 303	5 544 196
42. Operating lease		
The Municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2016 and is renewable on an annual basis.		
<ul style="list-style-type: none"> The rent payable on a monthly basis amounts to R2 207. No escalation clauses exists and the contract is renewable after a year. Future rent payable: 		
Amount payable within 1 year	-	11 035
Amount payable from 2 to 5 years	-	-
Amount payable after 5 years	-	-
	-	11 035
43. Repairs and maintenance		
Repairs and maintenance consists of:		
Buildings	552 464	93 338
Consumer connections	157 852	50 899
General maintenance	36 167	13 950
Roads and vehicles	157 024	-
Networks, pumps and dams	207 345	374 188
	1 110 852	532 375

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
44. Bulk purchases		
Electricity	12 358 906	11 427 557
Water	479 958	407 780
	12 838 864	11 835 337
45. Contracted services		
Operating Leases	-	32 116
Specialist Services	39 863	44 591
Other Contractors	637	6 140
	40 500	82 847
46. General expenses		
Advertising	188 969	140 776
Auditors remuneration	2 081 745	2 420 061
Bank charges	101 632	74 689
Consulting and professional fees	3 828 203	2 494 416
Consumables	236 273	32 237
Debt collection	-	39 145
Delivery expenses	14 567	5 505
Entertainment	12 594	2 499
Insurance	314 654	305 201
IT expenses	466 600	355 830
Motor vehicle expenses	1 291 605	656 258
Fuel and oil	653 757	646 949
Postage and courier	86 327	70 428
Printing and stationery	173 332	419 737
Protective clothing	90 632	91 553
Project maintenance costs	974 980	1 827 798
Royalties and license fees	720 749	700 717
Security (Guarding of municipal property)	399 239	-
Staff welfare	15 645	6 411
Subscriptions and membership fees	500 000	500 000
Telephone and fax	592 255	537 211
Training	67	16 342
Electricity	629 729	618 990
Free Basic Services	2 834 263	2 348 081
Special Programs	235 852	117 760
Subsistence and Traveling	1 161 948	1 611 077
TVS	7 545	-
Chemicals	609 597	367 420
Property only	2 500	-
	18 225 259	16 407 091
47. Fair value adjustments		
Investment property (Fair value model)	39 731	308 533

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
48. Cash generated from operations		
(Deficit) surplus	(19 696 934)	5 987 497
Adjustments for:		
Depreciation and amortisation	10 393 463	8 142 078
Gain (loss) on sale of assets and liabilities	662 497	235 163
Fair value adjustments	(39 731)	(127 233)
Finance costs - Finance leases	54 483	-
Debt impairment	5 321 007	1 515 802
Actuarial cost	-	-
Actuarial cost	44 389	44 389
Movements in retirement benefit assets and liabilities	432 110	567 180
Movements in provisions	(41 483)	312 801
Changes in working capital:		
Inventories	(16 871)	(47 254)
Receivables from exchange transactions	(116 484)	(2 329 826)
Consumer debtors	(67 167)	48 661
Other receivables from non-exchange transactions	(824 276)	(467 358)
Non-receivables from exchange transaction	-	(1 524)
Payables from exchange transactions	15 806 002	17 495 798
VAT	(4 599 709)	(4 780 084)
Unspent conditional grants and receipts	64 838	(5 395 774)
Consumer deposits	41 005	(20)
	7 417 139	21 200 296
49. Other revenue		
Administration and management fees received - third party	-	1
Commissions received	64 013	122 486
Debt impairment recovered	-	14 693 969
Other income - (rollup)	441 134	240 099
Connection Fees	117 486	84 055
	622 633	15 140 610
50. Auditors' remuneration		
Fees	2 081 745	1 984 864
Consulting - internal audit	-	435 197
	2 081 745	2 420 061
51. Financial instruments disclosure		
Categories of financial instruments		
2017		
Financial assets		
	At cost	Total
Trade and other receivables from exchange transactions	2 376 511	2 376 511
Cash and cash equivalents	790 158	790 158
Other receivables	671 117	671 117
	3 837 786	3 837 786
Financial liabilities		

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

Financial instruments disclosure (continued)

	At amortised cost	At cost	Total
Finance Leases	514 446	-	514 446
Loans Payable	4 073 327	-	4 073 327
Trade and other payables from exchange transactions	-	66 036 330	66 036 330
Third Party Collections	-	6 121 860	6 121 860
	4 587 773	72 158 190	76 745 963

2016

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	3 279 782	3 279 782
Cash and cash equivalents	2 815 085	2 815 085
Other asset 1	671 117	671 117
	6 765 984	6 765 984

Financial liabilities

	At amortised cost	At cost	Total
Loans from shareholders	19 364	-	19 364
Other financial liabilities	4 697 757	-	4 697 757
Trade and other payables from exchange transactions	-	50 992 802	50 992 802
Other liability 3	-	1 143 766	1 143 766
	4 717 121	52 136 568	56 853 689

52. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	7 073 848	16 206 302
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	58 858 880	64 653 383
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Total capital commitments

Already contracted for but not provided for	7 073 848	16 206 302
Not yet contracted for and authorised by accounting officer	58 858 880	64 653 383
	65 932 728	80 859 685

Total commitments

Total commitments

Authorised capital expenditure	65 932 728	80 859 685
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This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

53. Contingencies

Contingent Liabilities

Landfill sites

The Municipality currently have two active landfill sites. It has been identified that the landfill sites situated in Hopetown and Strydenburg are not licensed as required by the National Environmental Management Waste Act, 2008, (Act no 59 of 2008).

There is a new site under development at Hopetown, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future. Currently it is not included in this year's assessment due to no obligation to rehabilitate yet.

In accordance with section 68(1) of the National Environmental Management Waste Act, 2008, (Act no 59 of 2008), a person convicted of an offence referred to in section 67(1)(a), (g) or (h) is liable to a fine not exceeding R10 000 000 or to imprisonment for a period not exceeding 10 year, or to both such fine and imprisonment, in addition to any other penalty or award that may be imposed or made.

Environmental Act -

In terms of the Environmental Act, the municipality is responsible for a number of environmental related transactions that may take place in its jurisdiction. This gives rise to contingent liabilities. However, the nature of such transactions cannot be estimated both financially and the number of occurrences, if any are to occur. Whilst the municipality is not aware of such liabilities, the following are the key transactions:

- contingent liabilities relating to fines that may be imposed by the department of environmental affairs as a result of illegal dumping by municipal employees.
- penalties relating to raw sewerage or sewerage not properly treated being released to nearby rivers or dams.
- penalties relating to lack of proper security at the municipality's dumping site or lack of monitoring waste being dumped there as some waste should be dumped in a certain specific way so as to avoid related health hazards e.g. medical waste.

Total Traffic Services (TTS)

The municipality has been in the litigation process against a service provided, this dispute arose due to contract performance issues raised from both the municipality and service provider. The municipality's lawyer has last provided calculations to Total Traffic Services on 3 June 2016, no response has been received from the attorneys of TTS. The municipality's lawyer considers the likelihood of TTS proceeding with the litigation process as unlikely.

Contingent assets

A warrant for arrest has been issued against a previous employee and proceedings are underway and a possible R92 000 will be receivable once the case has been concluded.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

2017

2016

54. Related parties

Relationships

Accounting Officer

MAIKAELELO MINING;
SAMBER TRADING NO 152;
LOYISO MANAGEMENT SYSTEMS;
LORABI 23;
LEDIG INVESTMENTS;
MAHLASEDI INVESTMENT HOLDINGS;
MOSOGOLI TRADING AND INVESTMENTS;
MERITING INVESTMENTS;
MAHLASEDI INVESTMENT HOLDINGS;
SQUIRES KIMBERLEY;
J M P L C INVESTMENT HOLDINGS;
CITY SQUARE TRADING 399;
SWANVEST 341;
LEITLHO INVESTMENTS;
THETA MINING;
SAMBER TRADING NO 152

Members of key management

X Manzi - IMBHOKOTHO FAMILY TRADING

N Jaxa - LAPHUMA IKWEZI TRADING

N Mguye - NM VEGETATION; BEKEZELA HUMAN
RESOURCE CONSULTING

TP Gorrah - NM VEGETATION; BEKEZELA HUMAN
RESOURCE CONSULTING

V Mpamba - NM VEGETATION; BEKEZELA HUMAN
RESOURCE CONSULTING

S Marufu - None

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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54. Related parties (continued)

Council

Jonas DA - THEMBELIHLE BRICKS
Mpamba B - THEMBELIHLE BRICKS
Madikane S.E - None
De Bruin E - THEMBELIHLE BRICKS
Louw P - THEMBELIHLE BRICKS
Kywe A - BASADI DECORATIONS AND PROJECTS
Humphreys M.A - EUREM MINGLES FUNERAL SERVICES
BRITS, H - ORANJERIVIER SEKURITEIT
TSHANGELA, B - THEMBELIHLE AGRICULTURAL
TALLIES, J - JARUBA BUSINESS SOLUTIONS
SWARTLING, S - JARUBA BUSINESS SOLUTIONS
NGXABAZI, R - JARUBA BUSINESS SOLUTIONS
Adolf, P - None

Related party balances

Accounts included in Trade Receivables regarding related parties

Jonas DA	6 635	4 995
Louw P	-	80 892
Humphreys MA	96 719	41 766
Mpamba B	-	354
Madekane SE	-	11 256
TP Gorrah	103	-
S Marufu	(142)	-
De Bruin E	4 967	-
Brits H	(553)	-
Tshangela B	(2)	-
Swartling S	5 278	-

Rent received from related parties

Lidia Walters	-	8 735
Linda van Wyk	-	1 652
Solly Dwango	4 387	9 558
NP Mqokosa	-	39 600
Tania Gorrah	18 901	16 888
Danny Jonas	2 769	19 800
SF Yekani	-	26 400
TC Molusi	15 755	12 125
S Marufu	31 505	-
N Mgununde	9 750	-
L Graham	8 110	2 491
K Ramabodu	11 294	2 666
R Goaya	10 307	8 693
U Johannes	4 175	889

Provision for bad debt

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand	2017	2016
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54. Related parties (continued)

Jonas DA	3 044	1 524
Humphreys MA	96 526	59 051
Mpamba B	-	108

Related party transactions

Purchases from related parties

MTN Service Provide	49 557	84 920
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It has been identified that Maserame Rebecca Mouyeme who is a non-executive Director at MTN Service Provider, has been in the employment of Johannesburg Fresh Produce in the previous 12 months. The payments made to this supplier as per the general ledger and total of payments for the year amounts to R 84 920. As this amount exceeds R 2000, this is disclosed as a related party transaction as set out in Supply Chain Management Regulation 45.

Compensation to accounting officer and other key management

Accounting Officer - M Mogale	839 668	786 891
	-	-
Corporate Services Director - NE Mguye (2016)	425 070	463 692
Corporate Services Director - T Gorra (2017 - acting)	582 380	-
Chief Financial Officer - G Butterworth (resigned 31 March 2016)	-	455 979
Chief Financial Officer - B Sithole (resigned 30 June 2016)	-	224 533
Chief Financial Officer - X Manzi (1 July 2016 - 30 Sept 2016 - Acting)	691 707	-
Chief Financial Officer - N Jaxa (1 Oct 2016 - Acting)	793 296	-
Technical Services Director - S Marufu	189 694	699 102
Mayor - B Mpamba 2017 (DA Jonas - 2016)	1 192 821	884 968
	4 714 636	3 515 165

Remuneration of management

Executive management

2017

Name

S Swartling - Councilor
B Tshangela - Councilor
J Tallies - Councilor
R Ngxabazi - - Councilor
H Brits -- Councilor
P Naude - Councilor
SE Madekane - Councilor
B Mpamba - Councilor
E De Bruin - Councilor
A Kywe - Councilor
MA Humphreys - Councilor

2016

Name

SE Madekane - Councilor
B Mpamba - Councilor
E De Bruin - Councilor
P Louw - Councilor

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

54. Related parties (continued)

A Kywe - Councilor

MA Humphreys - Councilor

302 760	302 760
300 942	300 942
1 823 098	1 823 098

55. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2016

	Note	As previously reported	Correction of error	Restated
Provision - Leave	16	-	32 923	32 923
Accumulated (surplus) / deficit		(182 790 889)	14 925 788	(167 865 101)
Other receivable - Grant reserve	5	3 705 441	(2 509 146)	1 196 295
Commission payable	23	-	117 592	117 592
Unspent Grant liability - MIG	35	(1 389 682)	(5 507 503)	(6 897 185)
Provision for bad debts	4	(2 917 054)	119 889	(2 797 165)
Accrual traffic fines	4	478 370	(119 889)	358 481
Receivables from exchange transactions	4	3 544 479	(1 750 506)	1 793 973
Liability - Post-retirement medical aid	20	(4 498 227)	(302 147)	(4 800 374)
Investment property	10	7 675 033	181 300	7 856 333
Unspent Grant liability - MIG	35	(1 389 682)	5 507 503	4 117 821
Land and buildings	11	12 836 295	(1 134 924)	11 701 371
Accumulated depreciations	11	(3 066 604)	511 877	(2 554 727)
Work in Progress	11	31 124 995	(25 370 171)	5 754 824
Infrastructure assets	11	185 625 565	25 794 874	211 420 439
Trade Creditors	16	(46 302 599)	475 719	(45 826 880)
Buildings	11	2 576 018	(472 791)	2 103 227
		5 211 459	10 500 388	15 711 847

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

55. Prior-year adjustments (continued)

Statement of financial performance

2016

	Note	As previously reported	Correction of error	Reclassification on	Restated
Revenue from Government grants & subsidies	35	49 496 402	(8 016 649)	1 343 155	42 822 908
Expense - Employee related costs	37	(23 279 478)	32 923	-	(23 246 555)
Expense - Bulk Electricity expense	44	(11 805 195)	(30 142)	-	(11 835 337)
Expense - Bad debt provision	6	(1 515 802)	16 209 771	-	14 693 969
Income - Commission	49	4 894	117 592	-	122 486
Expense - Repairs and maintenance	43	(562 516)	30 142	-	(532 374)
Actuarial valuation	47	(44 389)	(302 147)	-	(346 536)
Fair value adjustment - investment property	47	127 233	181 300	-	308 533
Income - Discount received	32	1 343 155	-	(1 343 155)	-
Income - Other income	32	240 099	-	137 911	378 010
Expense - General expenses	46	(17 071 888)	-	(137 911)	(17 209 799)
Expenses - Internal audit fees	46	-	-	(435 197)	(435 197)
Expenses - Audit fees	46	(2 420 062)	-	435 197	(1 984 865)
General expenditure	46	17 071 888	(770 591)	-	16 301 297
Non-exchange revenue	35	(53 677 530)	(2 288 770)	-	(55 966 300)
Depreciation	11	8 029 267	38 827	-	8 068 094
Surplus for the year		(34 063 922)	5 202 256	-	(28 861 666)

Errors

A number of accounts were re-stated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

The following prior period errors adjustments occurred:

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

55. Prior-year adjustments (continued)

Error

Accrued leave

Accrual for staff leave and employee related costs were overstated by R 32 923 respectively as accrual for leave were raised in the prior year by taking into account the incorrect leave days on year-end. The population was revisited and established that the days were accrued for which the leave was already taken by the employees. These days were corrected and the leave accrual was correctly calculated.

RBIG Grant

RBIG Grant disclosed as an receivable in the prior year was actually received in the 2015/16 financial year and should have been disclosed as an amount received. The amount actually received amounted to R 2 509 146.

Commission payable

The commission payable to the Department of Safety was overstated in the 2015/16 financial statement for which the amount payable has been corrected in the prior year financial statements based on the statement of account received from the Department of Safety.

MIG transfer to RBIG

MIG grant amounts were incorrectly transferred to RBIG in the 2015/16 financial year financial statement due to no formal correspondence received from National Treasury to approve the transfer, therefore the transfer was reversed in the 2015/16 financial statements.

Electricity reallocated from Repairs and maintenance

The municipality incorrectly accounted for electricity expenses under the repairs and maintenance vote in the prior 2015/16 financial year, the population was inspected and all amounts relating to Eskom electricity was correctly reallocated from repairs and maintenance to Bulk electricity vote.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

55. Prior-year adjustments (continued)

Error

Grant amounts recognised as revenue

The municipality incorrectly accounted for grant transfer amounts equal to R 5 507 503 as an opening balance amount in the 2015/16 financial year, however expenditure incurred as well as conditions met for these amounts to be transferred to revenue in the 2014/15 financial year. Thus the grant opening balance was transferred to accumulated surplus in the prior year due to the conditions being met.

Grant amounts overstatement of revenue

Certain grants transfer revenue were overstated in the previous financial year for which adjustments were made as to correctly recognised the transfer revenue to the appropriate grants, amend initial incorrect grant vote allocation.

FMG Grant

FMG Grant disclosed as revenue in the prior year, which was overstated in the 2015/16 financial year and should have been disclosed as an amount of revenue relating to MSIG Grant.

Traffic fines provision

Traffic fines provision 2015/16 FY, actually related to traffic fines written off as bad debt in 2015/16 FY. Correcting journal from provision account to write-off the bad debt account.

Reversal Bad debt

Reversal of Bad debt provision movement year on year for 2015/16 provision accounts moved since 2015/15. This was due to prior year error as the bad debt written off was not taken into account.

Error

Bad debt written off incorrect accounting period

Prior year error where provision for bad debt was recorded in the incorrect period, expenditure in 2015/16 has to be accounted for in opening balance retained earnings.

Bad debt provision correction

Prior year bad debt correcting journal for the year on year provision movement after the error for bad debt written off was correctly accounted for.

Current service cost

Correction to the prior year error of current service cost with adjusting journal entries

Investment property disposal

Reversal of disposal recognized to incorrect vote: Recognition disposal of Investment property.

Debtors credit balances

Correction of credit balances on rates of debtors.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

55. Prior-year adjustments (continued)

Error

Arrears credit balances reversal

Correction of the arrears PY error on the credit balances that forms part of the debtors balances.

Other debtors credit balances reversal

Other debtors credit balances correction of balances.

Work in Progress

Project completed in the prior year but never unbundled in the prior year.

Work in Progress

Work in Progress additions.

Work in Progress

Project completed in the prior year but never unbundled in the prior year.

Work in Progress

Prior year retention amount changed hence the reason why work in progress figures also changed.

Community Buildings

Removed all buildings which the municipality don't have control over. Eg. Schools/ Clinic and Churches.

Community Buildings

Removed all buildings which the municipality don't have control over. Eg. Schools/ Clinic and Churches

Infrastructure

The municipality received a community park as a donation in the prior year.

Infrastructure

The municipality received a community park as a donation in the prior year.

Infrastructure

The municipality received a community park as a donation in the prior year. Thus need depreciation for the prior year time portion.

Infrastructure

The municipality identified duplicates in the FAR which will be removed from the FAR - 2015 & 2016 movement.

Infrastructure

The municipality identified duplicates in the FAR which will be removed from the FAR - 2015 & 2016 movement.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

55. Prior-year adjustments (continued)

Change in accounting policy

No change in accounting policies occurred during the year under review.

[If retrospective application is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

The following change in accounting policies occurred:

Reclassifications

The following reclassifications adjustment occurred:

Reclassification

Reclassification of internal audit fees

Internal audit fees to the amount of R 435 197 were incorrectly classified as part of audit fees instead of internal audit fees in the prior year.

Reclassification

Reclassification of donations

During the prior year donations received amounting to R 137 911 was incorrectly classified under General Expenditure, instead of presenting the donations received under other revenue.

Reclassification

Reclassification of discount received to grants

During the prior year amounts paid by National Treasury on behalf of the municipality towards the 99% portion of Audit fees amounting to R 1 343 155 was incorrectly classified under discount received, instead of presenting the amount paid under government grants and subsidies received. This was due to a mapping error in AFS which was corrected.

56. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

56. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2017	2016
Receivables from exchange transactions	2 376 511	2 225 692
Receivables from Non-exchange transactions	1 497 305	764 578
Other Receivables	671 117	671 117

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2017 and 2016, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10.00 %	3 047 628	-	-	-	-
Cash in current banking institutions	- %	790 158	-	-	-	-
Trade and other payables	- %	66 036 330	-	-	-	-
Other receivable	- %	671 117	-	-	-	-
Loan from DBSA	- %	871 756	3 201 571	-	-	-
Finance leases	- %	261 013	253 433	-	-	-
Third party collections	- %	1 143 766	4 978 094	-	-	-

57. Going concern

We draw attention to the fact that at 30 June 2017, the municipality had accumulated deficits of R 156 074 992 and that the municipality's total liabilities exceed its assets by R 156 074 992.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

57. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently survives on Grants received from National and Provincial government.

The following matters has been considered relating to the going concern:

- Council approved the budget for the 2017/18 to 2019/20 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF) to support the ongoing delivery of municipal services to residents reflected that the budget was cash backed over the three year period.
- The Municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.
- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including the associated risks and remedial actions to be instituted.
- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

58. Events after the reporting date

The below event occurred subsequent to 30 June 2017:

- Court rules new homeowners not liable for debts of previous owners

Municipalities cannot hold a new property owner liable for a previous owner's historical municipal debt, the Constitutional Court ruled on Tuesday 29 August 2017. The precedent-setting ruling gives relief to home and business owners, who have been saddled with years of historical municipal debt – dating back to 20 years – and have been denied municipal services until the debt had been paid. The outstanding debt includes water, electricity, rates and taxes charges associated with a property.

In a ruling majority written by Justice Edwin Cameron, the court found that upon transfer of a property, a new owner is not liable for old municipal debt. The court upheld a ruling by the high court in Pretoria in November last year – mainly the part stipulating that the liability of the old municipal debt rests with the previous owner.

Historically, a property was not allowed to be transferred to a new buyer until a municipal certificate that cleared debt spanning over two years was issued under section 118 (1) of the Municipal Systems Act.

- Due to the nature of the court ruling the effect on the debt impairment calculation on financial year-end of 30 June 2017 for Thembelihle Local Municipality cannot be estimated reliably due to no clear guidance issued by National Treasury and the number of variables that would be involved in the estimation is not possible to determine a reliable estimate..

59. Unauthorised expenditure

Unauthorised expenditure	39 822 732	34 213 230
Unauthorised expenditure current year	14 125 604	5 609 502
	53 948 336	39 822 732

60. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	8 984 676	4 782 771
Fruitless and wasteful expenditure - current year	6 157 767	4 201 905
	15 142 443	8 984 676

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

60. Fruitless and wasteful expenditure (continued)

Interest charges on overdue accounts: The Municipality was charged for interest on outstanding accounts. The main creditors that charged interest consist of:

Eskom	5 027 141	3 293 218
Audit General	959 296	809 864
Other Creditors	171 330	-
	6 157 767	4 103 082

61. Irregular expenditure

Opening balance	99 174 393	73 850 276
Add: Irregular Expenditure - current year	12 366 682	25 324 117
	111 541 075	99 174 393

Analysis of expenditure awaiting condonation per age classification

Current year	12 366 682	25 324 117
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Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

61. Irregular expenditure (continued)

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
J&B PANELBEATERS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 060
ZEST WEG ELECTRIC	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 155
LIZENDA EVENTS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 176
GWK	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 214
HOPETOWN AUTO CENTRE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 280
BOOI ALLEMOE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 320
CHERRY ON TOP	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 540
JAKES TYRES(GWK)	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 574
PARROT GASTEHUIS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 600
GENNIX PROPERTIES	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 890
BISHOPS LODGE KIMBERLEY	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 910
DIE STALLE GUESTHOUSE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	2 974
VODACOM REPAIRS KIMBERLEY	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	8 371
CESA	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 078
HOPETOWN GUESTHOUSE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 200
THOMAS MOGALE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 250
PROTEA HOTEL	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 750
NONI'S PRIDE GUESTHOUSE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 840

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

61. Irregular expenditure (continued)

EQUIPMENT SPARE PARTS AFRICA	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	4 023
DE AAR PRINTERS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	8 930
HALSTED & COMPANY	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	5 295
GARDEN COURT	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	5 600
N12 HALF WAY STOP	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	66 084
CS ELECTRILTRAININING CENTRE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	5 850
EDWARD TALTJAARD	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	6 220
EXPLOSIVE DESIGN	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	6 950
ACTOPHAMBILI ROADS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	7 410
GEARBOX & DIFT	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	10 193
WILLY ROSS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	8 000
LEXIS NEXIS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	8 475
TIM OSCH	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	17 859
FG UNIFORM	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	9 380
WOODROW ENGINEERING SALES CC	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	16 644
HOTEL RADNOR	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	11 375
OVK	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	59 799
CENTIMAX TRADING	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	11 680
ORANJERUS GARAGE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	67 151

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

61. Irregular expenditure (continued)

R & R AGRI	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	11 853
PC WORLD	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	497 010
COUNTRY CLUB PORT NOLLOTH	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	14 935
UNIVERSITY OF FREE-STATE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	132 207
HELCON SALES & SERVICE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	16 141
VAALHARTS DRUKKERS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	16 750
CONLOG (PTY) LTD	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	18 519
SOLOKON CONSTRUCTION CC	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	35 760
SUPER ARMATURE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	19 621
GRAMEEN CASH STORE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	20 006
TIPS MAINTENANCE & SUPPLY	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	772 328
IRRITECH IRRIGATION	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	24 556
HERHOLDT'S ELECTRICAL	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	24 988
SA POST OFFICE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	33 784
MELTON WORLD GUESTHOUSE	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	32 180
AAS OPERATIONS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	386 815
MASILAKHE INVESTMENT	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	80 000
SUBSISTANCE AND TRAVEL	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	1 295 447
THOLO	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	1 855 764

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

61. Irregular expenditure (continued)		
MASILAKHE INVESTMENTS (PTY) LTD	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	228 000
ZAMAVUKA CONSTRUCTION	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	3 764 775
VIKING PONY AFRICA PUMPS PTY LTD	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	258 484
OTHER	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	40 000
WORLEY PARSONS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	71 082
HERHOLDT,S ELECTRICAL WHOLESALERS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	52 882
MOSENGOANA TRADING	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	829 651
JICAMA AAS OPERATIONS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	76 934
C-PAC PUMPS & VALVES	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	204 779
DIP SEKURITEIT	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	39 748
DATA COMP SYSTEMS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	52 453
COMFORT COOL AIRCONDITIONING	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	70 650
ELEKTRO VROOMEN	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	107 039
RYAMIC MINING SUPPLIES	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	34 985
WALTONS	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	95 344
JIO SECURITY SERVICES	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	390 114
THYS AUTO UPINGTON	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	169 000
TRANS ATLANTIC ENFORCEMENT	No disciplinary actions have been taken. The transactions will be presented to Council for investigation.	199 998
		12 366 682

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

62. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	9 900 599	8 171 145
Current year subscription / fee	3 323 746	3 072 609
Amount paid - current year	(74 553)	-
Amount paid - previous years	(3 281 509)	(1 343 155)
Closing Balance	9 868 283	9 900 599

PAYE and UIF

Opening balance	(193)	(193)
Current year subscription / fee	2 975 417	2 772 283
Amount paid - current year	(2 975 417)	(2 772 283)
Closing Balance	(193)	(193)

Pension and Medical Aid Deductions

Opening balance	(25 150)	2 028
Current year subscription / fee	4 703 817	3 248 274
Amount paid - current year	(4 703 817)	(3 275 452)
	(25 150)	(25 150)

VAT

VAT receivable	4 599 709	4 668 324
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VAT output payables and VAT input receivables are shown in note 17.

Not all VAT returns have been submitted by the due date throughout the year.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

62. Additional disclosure in terms of Municipal Finance Management Act (continued)

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2017:

30 June 2017	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Jonas DA	6 635	-	6 635
Humphreys MA	96 719	-	96 719
TP Gorrah	103	-	103
S Marufu	(142)	-	(142)
De Bruin E	4 967	-	4 967
Brits H	(553)	-	(553)
Tshangela B	(2)	-	(2)
Swartling S	5 278	-	5 278
	113 005	-	113 005

30 June 2016	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Jonas DA	4 995	-	4 995
Louw P	80 892	-	80 892
Humphreys MA	41 766	-	41 766
Mpamba B	354	-	354
Madekane SE	11 256	-	11 256
	139 263	-	139 263

63. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	4 073 328	4 711 304
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

64. Distribution Losses - Water

Water

Water units available for sale (Kl)	1 601 130	1 534 971
Water units sold (Kl)	(582 940)	(673 098)
Units lost (Kl)	1 018 190	862 174
Average cost per unit (R)	8	8
Total loss in Rand Value	8 206 612	6 515 929

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 64% (2016: 56%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 8.06 (2016: R 7.56). The level of the distribution losses are not within the acceptable norms.

Thembelihle Local Municipality

(Registration number NC076)

Financial Statements for the year ended 30 June 2017

Notes to the Financial Statements

Figures in Rand

65. Distribution Losses - Electricity

Electricity

Units bought (kwh)	9 898 886	9 942 994
Units sold (kwh)	(6 869 110)	(6 410 156)
Units lost (kwh)	3 029 776	3 532 838
Highest Rate (R)	2	2
Total loss in Rand Value	6 453 423	6 698 205

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoing costs, which represented 31% (2016: 36%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R 2.13 (2016: R 1.90). The level of the distribution losses are not within the acceptable norms.

66. Change in estimate

Property, plant and equipment & Intangible

The useful life of certain items of property plant and equipment and intangible assets have been revised (Change in Estimate) as follow:

	<u>2015/16</u>	<u>2016/17</u>
<u>Other assets</u>		
Motor vehicles	7 to 15 years	The Useful life didn't changed, but only moved within the range of 7 years to 15 years
Office equipment	5 to 15 years	The Useful life didn't changed, but only moved within the range of 7 years to 15 years
Pant & Equipment	5 to 15 years	The Useful life didn't changed, but only moved within the range of 7 years to 15 years
<u>Intangible assets</u>	5 years	7 years

The effect of this estimate revision has been set out below for each class of asset and the depreciation:

Change in estimate

During the year the following changes were made to the estimations employed in the accounting for transactions, assets, liabilities, events and circumstances:

Change in depreciation resulting from reassessment of useful lives. The following categories are affected:

	Value derived using the original estimate	Value derived using amended estimate	R-value impact of change in estimate
Intangible assets	1 777	917	860
Motor vehicles	4 491	1 222	3 269
Office equipment	10 394	3 547	6 847
Plant & Equipment	5 107	2 116	2 991
	21 769	7 802	13 967

67. Prepayments

Payments were made in advance on the OVK account to an amount of R 17 460.

Thembelihle Local Municipality

Appendix A

June 2017

Un-audited Schedule of external loans as at 30 June 2017

Loan Number	Redeemable	Balance at 30 June 2016	Received during the period	Redeemed written off during the period	Balance at 30 June 2017	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Development Bank of South Africa							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
DBSA Loan @ 7%	61007287	4 430 202	-	103 790	4 326 412	-	-
		4 430 202	-	103 790	4 326 412	-	-
Lease liability							
Leases	All Finance Leases	705 101	-	674 495	30 606	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		705 101	-	674 495	30 606	-	-
Total external loans		5 135 303	-	778 285	4 357 018	-	-

Thembelihle Local Municipality

Thembelihle Local Municipality

Appendix B

June 2017

Analysis of property, plant and equipment as at 30 June 2017

	Cost/Revaluation					Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings													
Land (Separate for AFS purposes)	7 193 673	-	-	-	-	7 193 673	-	-	-	-	-	-	7 193 673
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	4 507 697	-	-	-	-	4 507 697	(2 404 470)	-	-	(150 257)	-	(2 554 727)	1 952 970
	11 701 370	-	-	-	-	11 701 370	(2 404 470)	-	-	(150 257)	-	(2 554 727)	9 146 643
Infrastructure													
Electricity Buildings & Facilities	8 835 508	39 930	(47 087)	-	-	8 828 351	(3 136 473)	-	28 126	(277 748)	-	(3 386 095)	5 442 256
Electricity Poles	2 292 490	-	-	-	-	2 292 490	(1 219 121)	-	-	(64 725)	-	(1 283 846)	1 008 644
Electricity Mini Subs	4 731 674	-	-	-	-	4 731 674	(1 353 345)	-	-	(115 662)	-	(1 469 007)	3 262 667
Electricity Transformers	6 211 397	-	-	-	-	6 211 397	(1 096 109)	-	-	(137 948)	-	(1 234 057)	4 977 340
Other Buildings & Facilities	8 735 222	-	-	-	-	8 735 222	(4 346 840)	-	-	(1 540 034)	-	(5 886 874)	2 848 348
Roads Stormwater	102 824	-	-	-	-	102 824	(58 204)	-	-	(2 822)	-	(61 026)	41 798
Road Structures	61 846 666	-	-	-	-	61 846 666	(21 012 797)	-	-	(1 533 331)	-	(22 546 128)	39 300 538
Traffic Management	701 178	-	-	-	-	701 178	(403 432)	-	-	(19 810)	-	(423 242)	277 936
Bridges	3 175 851	-	-	-	-	3 175 851	(1 838 836)	-	-	(91 888)	-	(1 930 724)	1 245 127
Roads - Buildings & Facilities	6 795 105	-	-	-	-	6 795 105	(3 777 532)	-	-	(189 054)	-	(3 966 586)	2 828 519
Waste Water Treatment	45 344 113	-	-	-	-	45 344 113	(14 138 285)	-	-	(1 611 466)	-	(15 749 751)	29 594 362
Collection / Reticulation Network	3 105 286	-	(10 018)	-	-	3 095 268	(1 401 827)	-	5 800	(95 108)	-	(1 491 135)	1 604 133
Boreholes	45 210	-	-	-	-	45 210	(24 844)	-	-	(1 289)	-	(26 133)	19 077
Distribution Reticulation Network	47 108 410	-	-	-	-	47 108 410	(20 907 654)	-	-	(1 351 158)	-	(22 258 812)	24 849 598
Water Pump Station & Buildings	31 391 821	-	-	-	-	31 391 821	(1 193 447)	-	-	(652 147)	-	(1 845 594)	29 546 227
Water Buildings and External Facilities	77 299 580	-	(5 111)	-	-	77 294 469	(20 460 240)	-	2 959	(1 894 380)	-	(22 351 661)	54 942 808
Sewer Pump Station	159 959	-	-	-	-	159 959	(92 868)	-	-	(4 549)	-	(97 417)	62 542
Work in Progress	5 754 825	5 280 524	-	-	-	11 035 349	-	-	-	-	-	-	11 035 349
	313 637 119	5 320 454	(62 216)	-	-	318 895 357	(96 461 854)	-	36 885	(9 583 119)	-	(106 008 088)	212 887 269
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Thembelihle Local Municipality
Thembelihle Local Municipality
Appendix B
June 2017

**Analysis of property, plant and
equipment as at 30 June 2017**

	Cost/Revaluation					Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Thembelihle Local Municipality
Thembelihle Local Municipality
Appendix B
June 2017

**Analysis of property, plant and
equipment as at 30 June 2017**

	Cost/Revaluation					Accumulated depreciation							
	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Thembelihle Local Municipality

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation					Accumulated depreciation				
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Infrastructure

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Analysis of property, plant and equipment as at 30 June 2015

Cost/Revaluation						Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Closing Balance Rand	Opening Balance Rand	Additions Rand	Disposals Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Thembelihle Local Municipality

Appendix C

June 2017

Un-audited Segmental analysis of property, plant and equipment as at 30 June 2017

Cost/Revaluation **Accumulated Depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Depreciation Rand	Closing Balance Rand	Carrying value Rand
Municipality									
Executive & Council/Mayor and Council	606 493	160 298	(158 188)	608 603	(422 661)	145 151	(54 548)	(332 058)	276 545
Finance & Admin/Finance	3 688 849	1 156 285	(1 994 048)	2 851 086	(1 907 838)	1 172 501	(369 902)	(1 105 239)	1 745 847
Planning and Development	10 325 986	-	(513 578)	9 812 408	(5 447 003)	308 978	(1 518 286)	(6 656 311)	3 156 097
Comm. & Social/Libraries and archives	19 562 371	-	(1 935)	19 560 436	(2 677 257)	1 008	(295 145)	(2 971 394)	16 589 042
Waste Water Management/Sewerage	48 609 358	-	(10 018)	48 599 340	(15 632 980)	5 800	(1 711 124)	(17 338 304)	31 261 036
Road Transport/Roads	73 985 810	5 280 526	-	79 266 336	(27 106 220)	-	(1 829 170)	(28 935 390)	50 330 946
Water/Water Distribution	154 356 652	-	(5 944)	154 350 708	(42 673 202)	3 098	(3 899 592)	(46 569 696)	107 781 012
Electricity /Electricity Distribution	22 122 065	39 930	(47 087)	22 114 908	(6 824 420)	28 126	(602 597)	(7 398 891)	14 716 017
	333 257 584	6 637 039	(2 730 798)	337 163 825	(102 691 581)	1 664 662	(10 280 364)	(111 307 283)	225 856 542
Total	333 257 584	6 637 039	(2 730 798)	337 163 825	(102 691 581)	1 664 662	(10 280 364)	(111 307 283)	225 856 542

Thembelihle Local Municipality

Un-audited Appendix D

June 2017

Segmental Statement of Financial Performance for the year ended Prior Year Current Year

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
Municipality						
20 157 066	7 857 431	12 299 635	Executive & Council/Mayor and Council	28 538 278	23 298 594	5 239 684
7 850 551	24 411 838	(16 561 287)	Finance & Admin/Finance	818 469	24 268 236	(23 449 767)
14 902 110	11 127 595	3 774 515	Planning and Development/Economic Development/Plan	9 101 270	8 809 357	291 913
-	-	-	Health/Clinics	-	-	-
1 870 345	1 540 648	329 697	Comm. & Social/Libraries and archives	1 183 123	1 691 606	(508 483)
-	-	-	Housing	-	-	-
-	-	-	Public Safety/Police	-	3 576	(3 576)
-	-	-	Sport and Recreation	-	-	-
1 414 671	1 321 787	92 884	Environmental Protection/Pollution Control	2 245 559	2 040 937	204 622
2 730 552	2 023 453	707 099	Waste Water Management/Sewerage	4 236 032	2 083 751	2 152 281
904 482	1 837 626	(933 144)	Road Transport/Roads	1 495 606	2 561 809	(1 066 203)
16 458 771	5 905 234	10 553 537	Water/Water Distribution	4 998 556	6 124 971	(1 126 415)
11 126 933	14 104 651	(2 977 718)	Electricity /Electricity Distribution	12 909 146	14 340 136	(1 430 990)
-	-	-	Other/Air Transport	-	-	-
77 415 481	70 130 263	7 285 218		65 526 039	85 222 973	(19 696 934)
77 415 481	70 130 263	7 285 218	Municipality	65 526 039	85 222 973	(19 696 934)
77 415 481	70 130 263	7 285 218	Total	65 526 039	85 222 973	(19 696 934)

Thembelihle Local Municipality

Appendix E(1)

June 2017

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Property rates	3 887 663	7 522 551	(3 634 888)	(48.3)	When the Adjusted Budget was compiled most of the consumers had already paid there accounts in full for the whole financial year.
Service charges	19 939 731	21 629 008	(1 689 277)	(7.8)	The budget was compiled taking into account expected increases to be applied which did not materialise, this had an effect on the Electricity billed for the year that was not considered in the budget.
Rental of facilities and equipment	834 607	635 020	199 587	31.4	When the budget was compiled an expected increase was taken into account that did not materialised
Interest received (trading)	179 674	330 641	(150 967)	(45.7)	More debtors receipts were obtained which meant less interest charges.
Dividends received (trading)	2 426 680	-	2 426 680	-	
Fines, Licences and permits	57 446	2 521 059	(2 463 613)	(97.7)	The traffic fines which was expected to materialise only initiated the process at the end of the year therefore total year revenue could not materialise.
Government Grants	21 473 433	24 032 000	(2 558 567)	(10.6)	Grants received were less than expected due to RBIG and MIG projects only scheduled to start closer to the end of the financial year.
Administration and management fees received	1	-	1	-	
Commissions received	122 486	81 622	40 864	50.1	
Recoveries	14 693 969	-	14 693 969	-	
Other income - (rollup)	240 098	1 784 833	(1 544 735)	(86.5)	Unexpected decrease in other services required, this decrease could not be estimated and taken into account at the time the budget was compiled.
Connection fees	84 055	-	84 055	-	
Interest received - investment	368 613	570 285	(201 672)	(35.4)	Larger investments were used as what was expected.
	64 308 456	59 107 019	5 201 437	8.8	
Expenses					
Personnel expenses	(23 246 553)	(27 392 016)	4 145 463	(15.1)	
Remuneration of councillors	(2 524 362)	(2 681 898)	157 536	(5.9)	
Administration	(26 094)	-	(26 094)	-	
Depreciation	(8 029 266)	(8 142 078)	112 812	(1.4)	The asset register was completely re-stated after the budget was done.
Amortisation	(112 811)	-	(112 811)	-	
Finance costs	(5 544 196)	(858 675)	(4 685 521)	545.7	Unexpected increase in the landfill site rehabilitation provision
Debt Impairment	(119 889)	(4 243 159)	4 123 270	(97.2)	More debt were collected than expected.
Repairs and maintenance - General	(532 376)	(2 364 400)	1 832 024	(77.5)	Budget was based on cashflow payments towards repairs & Maintenance. Actual's include creditors transactions.
Bulk purchases	(11 835 337)	(12 132 815)	297 478	(2.5)	Budget was based on cashflow payments towards repairs & Maintenance. Actual's include creditors transactions.
Contracted Services	(82 847)	(1 775 480)	1 692 633	(95.3)	Budget was based on contracts to start on January 2015, but only started in May 2015.
General Expenses	(16 474 744)	(7 495 077)	(8 979 667)	119.8	
	(68 528 475)	(67 085 598)	(1 442 877)	2.2	
Other revenue and costs					
Gain or loss on disposal of assets and liabilities	(235 163)	-	(235 163)	-	
Fair value adjustments	308 533	-	308 533	-	
Actuarial Gains / Losses	(85 568)	-	(85 568)	-	

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2017

	Forecast # 1 2017 Act. Bal.	Forecast # 1 2017 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
	(12 198)	-	(12 198)	-
Net surplus/ (deficit) for the year	(4 232 217)	(7 978 579)	3 746 362	(47.0)

Thembelihle Local Municipality

Appendix E(2)

June 2017

Budget Analysis of Capital Expenditure as at 30 June 2017

	Additions	Revised Budget	Variance	Variance	Explanation of significant
	Rand	Budget	Rand	%	variances from budget
		Rand			
Municipality					
Executive & Council/Mayor and Council	160 298	-	(160 298)	-	
Budget & Treasury	1 156 285	-	(1 156 285)	-	
Planning and Development/Economic Development/Plan	-	7 692 100	7 692 100	100	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	5 280 526	-	(5 280 526)	-	
Water/Water Distribution	-	5 716 000	5 716 000	100	Unexpected increase in capital grants.
Electricity /Electricity Distribution	39 930	-	(39 930)	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	6 637 039	13 408 100	6 771 061	50	

Thembelihle Local Municipality

Appendix F

Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

June 2017

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
					Jun					Jun									
Equitable Share	Treasury	8 070	6 456	4 841	-	-	(8 070)	(6 456)	(4 841)	-	-	(260)	-	-	-	-	Refund of Unspent EPWP Grant	Yes	
MIG	Treasury	1 796	686	422	-	-	(1 676)	(686)	(2 557)	(2 250)	-	-	-	-	-	-		Yes	
RBIG	Treasury	275	496	-	-	-	(275)	(496)	-	-	-	-	-	-	-	-		Yes	
FMG	Treasury	140	1 075	435	168	-	(140)	(1 075)	(435)	(168)	-	-	-	-	-	-		Yes	
MSIG	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
EPWP	Treasury	243	394	174	150	-	(243)	(394)	(174)	(149)	-	-	-	-	-	-		Yes	
INEP	Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes	
Library	Province	184	253	152	210	-	(184)	(253)	(152)	(210)	-	-	-	-	-	-		Yes	
		10 708	9 360	6 024	528	-	10 588	(9 360)	(8 159)	(2 777)	-	(260)	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Thembelihle Local Municipality
Appendix G2
Budgeted Financial Performance (revenue and expenditure by municipal vote)
for the year ended 30 June 2017

2017/2016															2016/2015				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome					
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand					
Revenue by Vote																			
Executive and Council - Vote1	16 490 361	-	16 490 361	-		16 490 361	-		(16 490 361)	- %	- %			20 157 066					
Budget & Treasury - Vote2	6 388 236	-	6 388 236	-		6 388 236	-		(6 388 236)	- %	- %			7 850 551					
Corporate Services - Vote3	5 832 456	-	5 832 456	-		5 832 456	-		(5 832 456)	- %	- %			1 414 671					
Community & Social Services - Vote4	2 618 406	-	2 618 406	-		2 618 406	-		(2 618 406)	- %	- %			1 870 345					
Public Safety - Vote5	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %				-					
Planning & Development - Vote6	10 049 021	-	10 049 021	-		10 049 021	-		(10 049 021)	- %	- %			14 902 110					
Road Transport - Vote7	2 854 997	-	2 854 997	-		2 854 997	-		(2 854 997)	- %	- %			904 482					
Electricity - Vote8	12 768 245	-	12 768 245	-		12 768 245	-		(12 768 245)	- %	- %			11 126 933					
Water - Vote9	12 231 282	-	12 231 282	-		12 231 282	-		(12 231 282)	- %	- %			16 458 771					
Water Waste Management - Vote10	4 042 277	-	4 042 277	-		4 042 277	-		(4 042 277)	- %	- %			2 730 552					
Waste Management - Vote11	2 122 005	-	2 122 005	-		2 122 005	-		(2 122 005)	- %	- %			-					
Example 12 - Vote12	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %				-					
Example 13 - Vote13	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %				-					
Example 14 - Vote14	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %				-					
Example 15 - Vote15	-	-	-	-		-	-	-	DIV/0 %	DIV/0 %				-					
Total Revenue by Vote	75 397 286	-	75 397 286	-		75 397 286	-		(75 397 286)	- %	- %			77 415 481					
Expenditure by Vote to be appropriated																			
Executive and Council - Vote1	6 130 927	-	6 130 927	-	-	6 130 927	-	-	(6 130 927)	- %	- %	-	-	7 857 431					
Budget & Treasury - Vote2	13 542 480	-	13 542 480	-	-	13 542 480	-	-	(13 542 480)	- %	- %	-	-	24 411 838					
Corporate Services - Vote3	5 695 729	-	5 695 729	-	-	5 695 729	-	-	(5 695 729)	- %	- %	-	-	1 321 787					
Community & Social Services - Vote4	1 848 888	-	1 848 888	-	-	1 848 888	-	-	(1 848 888)	- %	- %	-	-	1 540 648					
Public Safety - Vote5	35 275	-	35 275	-	-	35 275	-	-	(35 275)	- %	- %	-	-	-					
Planning & Development - Vote6	9 959 402	-	9 959 402	-	-	9 959 402	-	-	(9 959 402)	- %	- %	-	-	11 127 595					
Road Transport - Vote7	1 644 935	-	1 644 935	-	-	1 644 935	-	-	(1 644 935)	- %	- %	-	-	1 837 626					
Electricity - Vote8	15 954 662	-	15 954 662	-	-	15 954 662	-	-	(15 954 662)	- %	- %	-	-	14 104 651					
Water - Vote9	6 592 668	-	6 592 668	-	-	6 592 668	-	-	(6 592 668)	- %	- %	-	-	5 905 234					
Water Waste Management - Vote10	2 995 090	-	2 995 090	-	-	2 995 090	-	-	(2 995 090)	- %	- %	-	-	2 023 453					
Waste Management - Vote11	2 274 890	-	2 274 890	-	-	2 274 890	-	-	(2 274 890)	- %	- %	-	-	-					
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-					
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-					
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-					
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-					
Total Expenditure by Vote	66 674 946	-	66 674 946	-	-	66 674 946	-	-	(66 674 946)	- %	- %	-	-	70 130 263					
Surplus/(Deficit) for the year	8 722 340	-	8 722 340	-		8 722 340	-		(8 722 340)	- %	- %			7 285 218					

Thembelihle Local Municipality

Appendix G4

Budgeted Capital Expenditure by vote, standard classification and funding for the year ended 30 June 2017

	2017/2016								2016/2015						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand
Capital expenditure - Vote															
Multi-year expenditure															
Executive and Council - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget & Treasury - Vote2	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Corporate Services - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community & Social Services - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public Safety - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning & Development - Vote6	8 567 100	-	8 567 100	-	-	8 567 100	-	-	(8 567 100)	- %	- %	-	-	-	8 824 550
Road Transport - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water - Vote9	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water Waste Management - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Management - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital multi-year expenditure sub-total	8 567 100	-	8 567 100	-	-	8 567 100	-	-	(8 567 100)	- %	- %	-	-	-	8 824 550
Single-year expenditure															
Executive and Council - Vote1	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Budget & Treasury - Vote2	40 000	-	40 000	-	-	40 000	-	-	(40 000)	- %	- %	-	-	-	70 000
Corporate Services - Vote3	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Community & Social Services - Vote4	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Public Safety - Vote5	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Planning & Development - Vote6	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Road Transport - Vote7	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Electricity - Vote8	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Water - Vote9	5 716 000	-	5 716 000	-	-	5 716 000	-	-	(5 716 000)	- %	- %	-	-	-	8 362 000
Water Waste Management - Vote10	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Waste Management - Vote11	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 12 - Vote12	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 13 - Vote13	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 14 - Vote14	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Example 15 - Vote15	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
Capital single-year expenditure sub-total	5 756 000	-	5 756 000	-	-	5 756 000	-	-	(5 756 000)	- %	- %	-	-	-	8 824 550
Total Capital Expenditure - Vote	14 323 100	-	14 323 100	-	-	14 323 100	-	-	(14 323 100)	- %	- %	-	-	-	17 649 100

Thembelihle Local Municipality
Appendix G4
Budgeted Capital Expenditure by vote, standard classification and funding
for the year ended 30 June 2017

2017/2016										2016/2015					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as of Final Budget	Actual Outcome as of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	Rand	Rand	Rand	Rand	
Capital Expenditure - Standard															
Governance and administration	40 000	-	40 000	-	-	40 000	-	-	(40 000)	- %	- %	-	-	-	70 000
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Budget and treasury office	40 000	-	40 000	-	-	40 000	-	-	(40 000)	- %	- %	-	-	-	70 000
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Community and public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Community and social services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Economic and environmental services	8 567 100	-	8 567 100	-	-	8 567 100	-	-	(8 567 100)	- %	- %	-	-	-	8 824 550
Planning and development	8 567 100	-	8 567 100	-	-	8 567 100	-	-	(8 567 100)	- %	- %	-	-	-	8 824 550
Road transport	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Trading services	5 716 000	-	5 716 000	-	-	5 716 000	-	-	(5 716 000)	- %	- %	-	-	-	8 362 000
Electricity	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Water	5 716 000	-	5 716 000	-	-	5 716 000	-	-	(5 716 000)	- %	- %	-	-	-	8 362 000
Waste water management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	-
Total Capital Expenditure - Standard	14 323 100	-	14 323 100	-	-	14 323 100	-	-	(14 323 100)	- %	- %	-	-	-	17 256 550
Funded by:															
National Government	14 283 100	-	14 283 100	-		14 283 100	-		(14 283 100)	- %	- %				17 256 550
Provincial Government	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
District Municipality	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
Other transfers and grants	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
Transfers recognised - capital	14 283 100	-	14 283 100	-		14 283 100	-		(14 283 100)	- %	- %				17 256 550
Public contributions & donations	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
Borrowing	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
Internally generated funds	-	-	-	-		-	-		DIV/0 %	DIV/0 %					-
Total Capital Funding	14 283 100	-	14 283 100	-		14 283 100	-		(14 283 100)	- %	- %				17 256 550